GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H **D**

HOUSE BILL 97
PROPOSED COMMITTEE SUBSTITUTE H97-PCS30383-LRxf-11

Short Title: 2015 Appropriations Act. (Public)

Sponsors:

Referred to:

February 24, 2015

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE OF ACT

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

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

Current Operations – General Fund	**FY 2015-2016**	**FY 2016-2017**
EDUCATION		
Community Colleges System Office	1,058,757,957	1,058,927,701
Department of Public Instruction	8,374,192,255	8,455,921,850
University of North Carolina – Board of Governors		

Appalachian State University	127,792,024	127,785,714
East Carolina University		
Academic Affairs	210,407,112	210,407,112
Health Affairs	71,527,686	71,860,132
Elizabeth City State University	33,759,228	31,759,228
Fayetteville State University	48,741,530	48,741,530
North Carolina A & T State University	90,898,021	90,898,021
North Carolina Central University	82,132,848	82,132,848
North Carolina State University		
Academic Affairs	392,259,353	392,248,550
Agricultural Extension	38,962,927	38,595,927
Agricultural Research	53,099,332	53,099,332
University of North Carolina at Asheville	37,592,283	37,592,283
University of North Carolina at Chapel Hill		
Academic Affairs	252,603,091	252,603,091
Health Affairs	184,779,905	184,779,905
Area Health Education Centers	41,282,678	41,282,678
University of North Carolina at Charlotte	198,971,605	198,971,605
University of North Carolina at Greensboro	143,459,427	143,459,427
University of North Carolina at Pembroke	53,184,870	53,192,105
University of North Carolina School of the Arts	28,669,298	28,669,298
University of North Carolina at Wilmington	101,624,833	101,474,154
Western Carolina University	85,805,817	85,805,817
Winston-Salem State University	64,619,124	64,619,124
General Administration	37,256,706	37,256,706
University Institutional Programs	55,508,577	84,129,313
Related Educational Programs	107,968,501	107,968,501
North Carolina School of Science and Mathematics	19,727,381	19,728,581
Aid To Private Institutions	118,404,754	123,639,754
Total University of North Carolina – Board of Governors	**2,681,038,911**	**2,712,700,736**
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	131,904,062	118,742,467
Division of Aging and Adult Services	43,815,337	43,815,337
Division of Services for the Blind, Deaf, and Hard of Hearing	8,173,207	8,173,207
Division of Child Development and Early Education	224,537,700	229,784,413
Division of Health Service Regulation	16,105,247	16,110,674
Division of Medical Assistance	3,770,052,778	3,933,896,888
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	713,664,283	706,787,508
NC Health Choice	14,397,579	2,105,042
Division of Public Health	138,718,720	143,579,928
Division of Social Services	182,208,263	183,508,263
Division of Vocational Rehabilitation	37,752,132	37,752,132
Total Health and Human Services	**5,281,329,308**	**5,424,255,859**
AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES		

Department of Agriculture and Consumer Services	116,115,234	113,176,428
Department of Commerce		
Commerce	70,221,412	71,938,067
Commerce State-Aid	21,412,620	20,862,620
Wildlife Resources Commission	10,250,000	10,250,000
Department of Environment and Natural Resources	202,834,027	175,861,078
Department of Labor	15,686,469	15,686,469
JUSTICE AND PUBLIC SAFETY		
Department of Public Safety	1,805,545,483	1,807,278,630
Judicial Department	486,846,412	486,099,932
Judicial Department – Indigent Defense	117,087,174	117,097,118
Department of Justice	51,704,963	51,764,308
GENERAL GOVERNMENT		
Department of Administration	60,337,839	59,086,096
Office of Administrative Hearings	5,116,055	5,116,055
Department of State Auditor	11,506,244	11,506,244
Office of State Controller	22,699,750	22,699,750
Department of Cultural Resources		
Cultural Resources	76,866,046	65,236,046
Roanoke Island Commission	517,384	517,384
State Board of Elections	6,503,497	6,503,497
General Assembly	52,865,521	52,865,521
Office of the Governor	5,557,646	5,557,646
Office of the Governor – Special Appropriations	2,000,000	2,000,000
Office of State Budget and Management		
Office of State Budget and Management	7,669,281	7,669,281
OSBM – Reserve for Special Appropriations	2,000,000	2,000,000
Housing Finance Agency	29,118,739	29,118,739

Department of Insurance	38,296,364	38,296,364
Office of Lieutenant Governor	676,874	676,874
Department of Military and Veterans Affairs	7,368,298	7,312,298
Department of Revenue	79,566,755	79,604,906
Department of Secretary of State	11,726,506	11,726,506
Department of State Treasurer		
State Treasurer	9,546,198	9,546,198
State Treasurer – Retirement for Fire and Rescue Squad Workers	20,664,274	20,664,274
RESERVES AND DEBT SERVICE		
Contingency and Emergency Fund	5,000,000	5,000,000
Compensation Increase Reserve	361,032,321	373,803,618
OSHR Compensation System Update	10,000,000	10,000,000
State Health Plan Reserve	25,142,243	25,142,243
Reserve for State Retirement Contributions – All Systems	48,520,770	37,547,093
Reserve for Future Benefit Needs	0	71,000,000
Pending Legislation	10,000,000	10,000,000
Job Development Investment Grants (JDIG)	57,816,215	71,728,126
One North Carolina Fund	6,995,976	9,000,000
Information Technology Reserve	19,917,096	19,568,442
Information Technology Fund	23,723,725	22,173,996
Film and Entertainment Grant Fund	0	60,000,000
North Carolina Venture Multiplier Fund	40,000,000	0
Rallying Investors and Skilled Entrepreneurs for NC (Rise NC)	2,500,000	2,500,000
University Innovation Commercialization Grant	2,500,000	5,000,000
Challenge Grant for Cultural Arts Venues	10,000,000	0
Behavioral Health Beds Pilot	25,000,000	0
NCGA Litigation Reserve	300,000	0
Debt Service		
General Debt Service	713,159,643	737,786,715
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**22,106,849,865**	**22,421,391,088**

GENERAL FUND AVAILABILITY STATEMENT

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

	FY 2015-2016	**FY 2016-2017**
Unappropriated Balance Remaining from Previous Year	$2,033,330	$138,008,344
Anticipated Overcollections FY 2014-2015	400,000,000	0

Anticipated Reversions FY 2014-2015	228,759,394	0
Proceeds from Sale of Dorothea Dix Property	2,000,000	0
Standard & Poor's Settlement Funds	19,382,143	0
Revenue Adjustment as per S.L. 2015-2	(1,000,000)	0
Less Earmarkings of Year End Fund Balance:		
Savings Reserve Account	(200,000,000)	0
Repairs and Renovations	(200,000,000)	0
State Emergency Response Account	(20,000,000)	0
Film and Entertainment Grant Fund	(60,000,000)	0
Beginning Unreserved Fund Balance	**171,174,867**	**138,008,344**
Revenues Based on Existing Tax Structure	**20,981,400,000**	**21,592,400,000**
Nontax Revenues		
Investment Income	17,100,000	17,400,000
Judicial Fees	227,800,000	225,500,000
Disproportionate Share	139,000,000	139,000,000
Insurance	78,400,000	79,600,000
Master Settlement Agreement	137,500,000	137,500,000
Other Nontax Revenues	168,000,000	168,800,000
Highway Fund Transfer	215,900,000	215,900,000
Subtotal Nontax Revenues	**983,700,000**	**983,700,000**
Total General Fund Availability	**$22,136,274,867**	**$22,714,108,344**
Adjustments to Availability: 2015 Session		
Transfer Medicaid Contingency Reserve Funds	186,372,673	0
Transfer to Medicaid Contingency Reserve	(50,000,000)	(125,000,000)
Potential Proceeds from Sale of Dorothea Dix Property	50,000,000	0
Additional Highway Fund Transfer	3,700,000	3,700,000
Transfer from Federal Insurance Contributions Act		
Fund Cash Balance	4,296,802	641,628
Department of Justice Tobacco Settlement	2,194,000	0
Transfer from E-Commerce Fund Cash Balance	1,296,803	641,628
Adjustment of Transfer from Treasurer's Office	(188,715)	(188,715)
Realign Judicial Fees	25,000,000	25,000,000
Transfer from Statewide Misdemeanant Confinement Fund	2,898,779	0
Reserve for Passenger Air Carriers Refund (H.B. 117)	0	(5,500,000)
Sales Tax Exemption on Electricity		
for Qualifying Data Centers	(3,000,000)	(4,000,000)
Historic Preservation Tax Credit	(8,000,000)	(8,000,000)
Expand 1%/$80 Rate for Mill Machinery	(3,150,000)	(6,300,000)
Restore Tax Deduction for Medical Expenses	(54,000,000)	(52,400,000)
Extend Research and Development Credit	0	(44,000,000)
Extend Sales Tax Preferences for Motorsports Parts and Fuel	0	(1,900,000)
Extend Renewable Energy Credit	0	(10,300,000)
Renewable Energy Safe Harbor (S.L. 2015-11)	0	(36,700,000)
Exempt Sales for Nonprofit Agricultural Fairs	(330,000)	(330,000)
Subtotal Adjustments to Availability: 2015 Session	**157,090,342**	**(264,635,459)**

Revised General Fund Availability	**22,293,365,209**	**22,449,472,885**
Less General Fund Appropriations	**(22,155,356,865)**	**(22,426,478,088)**
Unappropriated Balance Remaining	**$138,008,344**	**$22,994,797**

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

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

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

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

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

Budget Code	**Fund Code**	**Description**	**FY 2015-2016 Amount**	**FY 2016-2017 Amount**
24100	2514	E-Commerce Fund	$1,296,803	$641,628
24500	2225	Misdemeanant Confinement Fund	2,898,779	0
24160	2000	NC FICA Account	4,296,802	641,628

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

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

Current Operations – Highway Fund	**FY 2015-2016**	**FY 2016-2017**
Department of Transportation		
Administration	$ 112,626,679	$ 90,246,679
Division of Highways		
Administration	33,467,959	33,467,959
Construction	45,054,878	45,054,878
Maintenance	1,184,067,538	1,299,213,615

Planning and Research	0	0
OSHA Program	358,030	358,030
State Aid to Municipalities	145,626,624	138,632,000
Intermodal Divisions		
Ferry	41,700,395	41,000,395
Public Transportation	88,173,419	88,173,419
Aviation	23,760,952	23,760,952
Rail	23,651,674	23,651,674
Bicycle and Pedestrian	726,895	726,895
Governor's Highway Safety	251,241	251,241
Division of Motor Vehicles	120,334,217	113,881,718
Other State Agencies, Reserves, Transfers	256,231,627	289,078,561
Capital Improvements	0	11,512,600
Total Highway Fund Appropriations	**$ 2,076,032,128**	**$ 2,199,010,616**

HIGHWAY FUND/AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	**FY 2015-2016**	**FY 2016-2017**
Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	1,969,300,000	1,934,200,000
Adjustment to Revenue Availability:		
Motor Fuel Tax		
(Shallow Draft Navigation Channel Dredging Fund)	(3,332,384)	(4,331,117)
Motor Fuel Tax Rate Adjustment	(22,946,250)	(21,471,000)
Division of Motor Vehicles Fee Adjustments	133,010,762	290,612,733
Revised Total Highway Fund Availability	**$ 2,076,032,128**	**$ 2,199,010,616**
Unappropriated Balance	$ 0	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2017, according to the following schedule:

Current Operations – Highway Trust Fund	**FY 2015-2016**	**FY 2016-2017**
Program Administration	$ 35,064,813	$ 35,064,813
Turnpike Authority	49,000,000	49,000,000
Transfer to Highway Fund	400,000	400,000
Debt Service	48,619,701	111,012,229

Strategic Prioritization Funding Plan for Transportation Investments	1,069,963,212	1,010,239,345
Total Highway Trust Fund Appropriations	**$ 1,203,047,726**	**$ 1,205,716,387**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

Highway Trust Fund Availability	**FY 2015-2016**	**FY 2016-2017**
Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	1,215,900,000	1,221,200,000
Adjustment to Revenue Availability:		
Motor Fuel Tax Rate Adjustment	(7,648,750)	(7,157,000)
Division of Motor Vehicles Fee Adjustments	(5,203,524)	(8,326,613)
Total Highway Trust Fund Availability	**1,203,047,726**	**1,205,716,387**
Unappropriated Balance	$ 0	$ 0

PART V. OTHER APPROPRIATIONS

CASH BALANCES AND OTHER APPROPRIATIONS

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

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

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

a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2015-2016 fiscal year and the 2016-2017 fiscal year and shall be used only to pay debt service requirements.

b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2015-2016 fiscal year and the 2016-2017 fiscal year.

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

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

OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

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

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

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

EDUCATION LOTTERY FUNDS/EXPENSES OF THE LOTTERY/LIMIT ON REGIONAL OFFICES

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

	FY 2015-2016	**FY 2016-2017**
Classroom Teachers	$254,586,185	$254,586,185
Teacher Assistants	49,279,252	49,279,252
Prekindergarten Program	83,841,830	88,337,155
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
TOTAL APPROPRIATION	**$528,902,000**	**$533,397,325**

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

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

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

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

(1) The costs incurred in operating and administering the Commission, including initial start-up costs.

(2) The costs resulting from any contracts entered into for the purchase or lease of goods or services required by the Commission.

(3) A transfer of one million dollars ($1,000,000) annually to the Department of Health and Human Services for gambling addiction education and treatment programs.

(4) The costs of supplies, materials, tickets, independent studies and audits, data transmission, advertising, promotion, incentives, public relations, communications, bonding for lottery game retailers, printing, and distribution of tickets and shares.

(5) The costs of reimbursing other governmental entities for services provided to the Commission.

(6) The costs for any other goods and services needed to accomplish the purposes of this Chapter.

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

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

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

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

CIVIL PENALTY AND FORFEITURE FUND

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

	FY 2015-2016	**FY 2016-2017**
School Technology Fund	$18,000,000	$18,000,000
Drivers Education	0	27,393,768
State Public School Fund	124,362,790	124,362,790
Total Appropriation	**$142,362,790**	**$169,756,558**

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

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

INDIAN GAMING EDUCATION REVENUE FUND

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

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

MODIFY ELEMENTS OF CASH MANAGEMENT PLAN

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

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

…

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

…

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

…."

PART VI. GENERAL PROVISIONS

CONTINGENCY AND EMERGENCY FUND LIMITATION

SECTION 6.1. For the 2015-2017 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

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.

VENTURE CAPITAL MULTIPLIER FUND

SECTION 6.3.(a) Of the funds appropriated in this act, the sum of forty million dollars ($40,000,000) for the 2015-2016 fiscal year in the North Carolina Venture Capital Multiplier Fund shall be used exclusively for the purposes permitted under G.S. 147-69.2A.

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

"**§ 147-69.2A. North Carolina Venture Capital Multiplier Fund.**

(a) Intent and Purpose. – It is the intent of the General Assembly that the State shall develop prudent and innovative ways to provide a perpetual and sustainable source of funding for the public purposes authorized by the State Constitution.

(b) Fund. – There is created in the Department of the State Treasurer a special fund to be known as the North Carolina Venture Capital Multiplier Fund (Fund). The Fund shall provide a source of funding for innovations and inventions that have the potential to increase the State treasury on a sustainable basis.

(c) Board. – The Venture Capital Multiplier Board (Board) is established. The duties of the Board shall include the administration of the Fund, including the development of guidelines to be used to identify and evaluate investment opportunities appropriate for receiving allocations from the Fund and the selection of opportunities on the basis of potential return on investment. The Board shall consist of the nine members appointed as follows:

(1) Three members appointed by the Governor, with one member designated by the Governor to serve as chair of the Board.

(2) Three members appointed by the House of Representatives, upon the recommendation of the Speaker of the House of Representatives, to each serve a term of four years.

(3) Three members appointed by the Senate, upon the recommendation of the President Pro Tempore of the Senate, to each serve a term of four years.

Appointments to the Board shall be made to ensure that its membership has experience in the following areas: (i) venture capital investment, (ii) innovation-based small businesses, (iii) business ownership or management, (iv) entrepreneurial activities, (v) early stage investment, and (vi) multimanager investment. The Board may act only upon a decision of a majority of its members. Members of the Board shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. Vacancies shall be filled by the respective appointing authority. The State Treasurer shall assign professional and clerical staff to assist in the work of the Board.

(d) Organization and Reporting. – Meetings of the Board are subject to the open meetings requirements of Article 33C of Chapter 143 of the General Statutes. All documents of the Board are public records governed by Chapter 132 of the General Statutes and any applicable provisions of the General Statutes protecting confidential information.

At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Board must publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

The Board shall adopt policies to prevent conflicts of interests such that no current member while serving on the Board, and no former member within two years after the end of service on the Board, shall provide services for compensation as an employee, consultant, or otherwise to any entity in which an investment from the Fund is, or was, made while the member is, or was, serving on the Board.

By October 1, 2015, and at least semiannually thereafter, the State Treasurer and the Board shall submit a report to the Governor, the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on investments made from the Fund and any return on investment."

STATE AGENCIES/REPORTS ON LEGISLATIVE LIAISONS AND SALARY INFORMATION

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

(1) Legislative liaisons. -
  a. The number of legislative liaisons designated by each Department or Commission.
  b. For each individual, the position name, position number, salary, the amount of time spent lobbying legislators or legislative employees for legislative action, and whether lobbying is the individual's principal duty such that the individual is required to file a registration statement with the Secretary of State.
  c. An explanation of why each legislative liaison is needed.
  d. A description of any other responsibilities or duties performed by each legislative liaison.

(2) Public Information Officer (PIO) and staff reporting to PIO. -
  a. The number of individuals designated by the Department or Commission to serve as a Public Information Officer, and the number of staff reporting to each PIO.
  b. For each individual, the position name, position number, and salary.
  c. The duties and responsibilities of each individual in his or her role as a Public Information Officer or staff to a PIO.
  d. An explanation of why each Public Information Officer and staff to each PIO is needed.

(3) Salary reserve and lapsed salaries. -
  a. The amount of salary reserve, by source, remaining in each fund code on June 30 of fiscal year 2013-2014 and fiscal year 2014-2015.
  b. The amount of lapsed salaries generated in fiscal year 2013-2014 and fiscal year 2014-2015.
  c. The Department's or Commission's policy on the use of salary reserve and lapsed salaries.

TRANSITION PLAN FOR TRANSFERRING VARIOUS STATE ATTRACTIONS FROM DENR TO DCR

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

(1) Identification of issues and any problems to be addressed by the transfer.
(2) Identification of the outcomes to be achieved by the transfer, including the following:
  a. Private fund-raising efforts.
  b. Coordination of volunteers.
  c. Revenue opportunities, including fees, passes, and memberships.

d. Cost savings, including administrative savings and programmatic savings identified by the transfer.

e. Efficiencies gained from the transfer.

(3) Projected outcomes should include baseline metrics from the 2013-2015 biennium for comparison purposes.

(4) Implementation schedule and time line for the transfer.

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

UNC CARRYFORWARD/TEMPORARY INCREASE ENDING JULY 1, 2017

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

"**§ 116-30.3. Reversions.**

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

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

(1) Each special responsibility constituent institution.

(2) The Area Health Education Centers of the University of North Carolina at Chapel Hill.

(3) General Administration Budget Code 16010."

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

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

CHALLENGE GRANTS FOR CULTURAL ARTS VENUES

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

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

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

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

BUDGET ACCOUNTABILITY AND TRANSPARENCY REFORM INITIATIVE

SECTION 6.8.(a) Finding and Purpose. – The General Assembly finds that the State budget is its central policy document and primary vehicle for directing the provision of programs and services to the citizens of the State. As such, the State's budget must be clear, transparent, and credible if it is to serve as a basis of accountability to its citizens. Therefore, it is the intent of the General Assembly to provide flexibility and support to the Governor in continuing efforts to effectuate the necessary changes to the structure and presentation of the State budget. The purpose of the Budget Accountability and Transparency Reform Initiative (BATR) established by this section is to ensure the highest level of transparency for meaningful review of the State budget by all citizens of the State.

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

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

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

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

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

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

SECTION 6.8.(g) Reporting. – The Office of State Budget and Management shall report its progress in developing the realigned base budget required in subsection (a) of this section no later than November 1, 2017. The Office of State Budget and Management shall present the realigned base budget by January 1, 2018, and shall provide a final report on the execution of the requirements in subsection (b) of this section by no later than August 31, 2018.

UNIVERSITY INNOVATION COMMERCIALIZATION GRANT PROGRAM

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

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

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

(1) Select university technologies for development based on commercial potential.

(2) Create a development plan of key activities to make the technologies more attractive to investors.

(3) Guide implementation of these activities to assure efficient deployment of funds and commercial-quality results.

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

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

(1) A constituent institution of The University of North Carolina.

(2) A private college or university located in North Carolina.

SECTION 6.9.(e) Reports. – The Office of Science, Technology, and Innovation in the Department of Commerce and the nonprofit corporation selected under subsection (c) of this section shall provide an annual report to the Office of State Budget and Management and

the Fiscal Research Division no later than January 1 of each fiscal year. The report shall detail expenditures and grants made from these funds and provide evidence of return on investment, including (i) the number of technologies brought to market; (ii) the number of new companies founded; and (iii) data on jobs created, including occupational classifications and salary ranges.

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

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

RALLYING INVESTORS AND SKILLED ENTREPRENEURS OF NC (RISE NC)

SECTION 6.10.(a) Purpose. – In order to increase the number of high-tech start-up companies and enhance job creation, the Rallying Investors and Skilled Entrepreneurs of North Carolina (RISE NC) initiative creates a statewide network that develops and leverages existing North Carolina entrepreneurial management talent and recruits world-class investors, skilled entrepreneurs, and managers to North Carolina.

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

(1) The development of a statewide entrepreneurial network to connect serial entrepreneurs to university start-ups; and

(2) The development of an entrepreneurship fellowship program.

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

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

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

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

COMPENSATION FOR RESEARCH AND DEVELOPMENT

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

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

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND

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

	FY 2015-2016	FY 2016-2017
General Fund Appropriation for IT Fund	$23,723,725	$22,173,996
Requirements		
Criminal Justice Information Network	$193,085	$193,085
Center for Geographic Information and Analysis	$435,952	$435,952
Enterprise Security Risk Management	$871,497	$871,497
Staffing and Strategic Projects	$7,573,903	$7,573,903
First Net	$1,549,729	-
Enterprise Project Management Office	$1,501,234	$1,501,234
IT Strategy and Standards	$865,326	$865,326
State Portal	$233,510	$233,510
Process Management	$398,234	$398,234
IT Consolidation	$1,000,000	$1,000,000
Government Data Analytics Center	$9,101,255	$9,101,255
Architecture and Engineering	$851,986	$851,986

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

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

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

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

	FY 2015-2016	FY 2016-2017
IT Internal Service Fund		
Requirements		
OITS – Administration	$8,065,280	$8,065,280
IT Strategic Sourcing	1,731,548	1,731,548
Center for Geographic Information and Analysis	3,772,415	3,923,845
Center for Geographic Information and Analysis GIS Conference	-	139,475
Hosting Services	61,734,555	1,734,555
Network Services	78,820,542	78,820,542

IT Business Applications	5,488,528	5,488,528
Enterprise Licensing – Oracle	3,315,527	3,315,527
Enterprise Licensing – Environmental Services Research Institute	766,500	766,500
Consumer Platform Services	7,862,925	7,862,925
Enterprise Licensing – SAS	2,769,500	2,666,000
Enterprise Licensing – SAP	5,029,667	5,029,667
Admin Support Services	274,894	274,894
Compliance and Transformation	3,774,000	3,774,300
EPA – PAR	-	-
US Geologic Survey	-	-
Total	$183,405,881	$183,492,436
Less Positions Vacant Over 180 Days	(1,500,000)	(1,500,000)
Less Position Transfer to IT Fund	(965,454)	(1,162,575)
Total Appropriation	$180,940,427	$180,829,861

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

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

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

SECTION 7.2.(e) By October 31, 2015, the State Chief Information Officer shall establish consistent, fully transparent, easily understandable rates that reflect industry standards for each service for which any agency is charged. A report explaining the rate structure shall be submitted to the Joint Legislative Commission on Governmental Operations, the chairs of the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Committee on Information Technology, and the Fiscal Research Division. An interim report shall be submitted by July 30, 2016. Overhead charges to agencies shall be consistently applied and shall reflect industry standards for the particular service. Rate increases shall require the

approval of OSBM and consultation with the Joint Legislative Commission on Governmental Operations. Rate reductions may be implemented following notification of OSBM. However, if these rates are not approved by OSBM, the rates shall revert back to the rates for the immediately previous fiscal year.

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

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

SECTION 7.2.(h) If the Director of the Budget determines that funds appropriated to a State agency for Information Technology Shared Services purposes exceed the amount required by that agency for that purpose, the Director may reallocate those funds, in addition to the appropriations set forth in Section 2.1 of this act, to other State agencies that received insufficient funds for Information Technology Shared Services.

INFORMATION TECHNOLOGY RESERVE

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

	FY 2015-2016	**FY 2016-2017**
Government Data Analytics Center	$8,000,000	$8,000,000
Improve Efficiency and Customer Service through IT	$4,475,454	$4,672,575
Planning	$1,500,000	$1,500,000
Information Technology Security	$4,768,462	$4,765,966
Economic Modeling Initiative	$500,000	–
Maintenance Management System Replacement		
Core Functionality	$108,730	$79,300
Additional Functionality	$64,450	$50,601

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

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

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

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

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

INFORMATION TECHNOLOGY ARCHITECTURE

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

SECTION 7.4.(b) The completed State information technology architecture developed pursuant to this section shall be provided to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. This architecture, along with State and agency business plans, shall be incorporated into a biennial State Information Technology Plan (State IT Plan).

INFORMATION TECHNOLOGY SECURITY

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

"Part 5. Security for Information Technology Services.

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

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

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

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

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

(3) Data classification and management.

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

(5) Communications and encryption technologies.

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

(d) Further, the State CIO shall establish standards for the management and safeguarding of all State data held jointly by State agencies and private entities and shall develop and implement a process to monitor and ensure adherence to the established standards.

For data maintained by non-State entities, the State CIO shall document the reasons for the use of the non-State entity and certify, in writing, that the use of the non-State entity is the best course of action. The State CIO shall ensure that State data held by non-State entities is properly protected and is held in facilities that meet State security standards. By October 1 each year, the State CIO shall certify, in writing, that data held in non-State facilities is being maintained in accordance with State information technology security standards and shall provide a copy of this certification to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

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

INFORMATION TECHNOLOGY PROJECT MANAGEMENT

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

SECTION 7.6.(b) The State Chief Information Officer shall be responsible for ensuring that participating agency information technology projects are completed on time, within budget, and meet all defined business requirements upon completion. The State Chief Information Officer shall ensure that projects follow the Office of Information Technology Service's established process and shall monitor schedule, budget, and adherence to business requirements.

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

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

INFORMATION TECHNOLOGY PROCUREMENT

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

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

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

SECTION 7.7.(d) By October 1, 2015, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on policies and processes

established by the Office of Information Technology Services to ensure the timely and efficient management of information technology procurement efforts.

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

STATE AGENCY STANDARDIZATION

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

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

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

DATA CENTERS/CONSOLIDATION

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

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

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

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

INFORMATION TECHNOLOGY HUMAN RESOURCES

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

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

(1) An inventory of current agency information technology personnel and their skills.
(2) Documentation of current information technology personnel requirements.
(3) Analysis and documentation of the gaps between current personnel and identified requirements.
(4) A detailed, fully executable plan to fill identified gaps.
(5) A detailed, fully executable plan to eliminate positions that may no longer be required.

(6) A detailed, fully executable plan for employees whose skills are no longer required.

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

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

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

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

INFORMATION TECHNOLOGY PERFORMANCE MEASURES

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

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

STATE INFORMATION TECHNOLOGY/CONSOLIDATION OF INFORMATION TECHNOLOGY GOVERNANCE AND RESOURCES

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

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

The Office of State Budget and Management shall assist the State Chief Information Officer in conducting this analysis. Each State agency shall comply and cooperate fully with the State

Chief Information Officer concerning this review. This section does not apply to agencies exempt under G.S. 147-33.80.

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

ELECTRONIC SIGNATURES

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

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

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

(1) Electronic signature. – A signature that consists of one or more letters, characters, numbers, or other symbols in digital form incorporated in, attached to, or associated with an electronic document.

(2) Secure electronic signature. – An electronic signature that:

a. Is unique to the person making the signature;

b. The technology or process used to make the signature is under the sole control of the person making the signature;

c. The technology or process can be used to identify the person using the technology or process; and

d. The electronic signature can be linked with an electronic document in such a way that it can be used to determine whether the electronic document has been changed since the electronic signature was incorporated in, attached to, or associated with the electronic document.

ECONOMIC MODELING INITIATIVE

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

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

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

STATE CIO AND AGENCY COMPLIANCE WITH IT DIRECTIVES

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

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

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

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

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

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

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

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

(1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

(2) "Anticipated total county revenue availability" means the sum of the following:

a. Anticipated county property tax revenue availability.

b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.

c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.

d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

(3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.

(4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.

(6) "County-adjusted property tax base" shall be computed as follows:

a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.

b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.

c. Add to the resulting amount the following:

1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.

2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.

3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.

(8) "County wealth as a percentage of State average wealth" shall be computed as follows:

a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.

b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.

c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.

d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.

(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.

(11) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(12) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.

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

(14) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

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

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

SECTION 8.4.(b) Phase-Out Provision for the 2015-2016 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2015-2016 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local 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 under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2014-2015 in any fiscal year.

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

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

SECTION 8.4.(d) Nonsupplant Requirement for the 2015-2017 Fiscal Biennium. – 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 2015-2017 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of local current expense appropriation 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 2015-2017 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it determines that counties have supplanted funds.

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

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

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

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

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

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

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

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

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

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

LITIGATION RESERVE FUNDS

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

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

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

COOPERATIVE INNOVATIVE HIGH SCHOOLS

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

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

FUNDS FOR EVAAS IN GRADES K-2

SECTION 8.9. The State Board of Education may use funds appropriated to the Department of Public Instruction under this act to implement the requirements of the Excellent Public Schools Act, established under Part 7A of S.L. 2012-142, as amended by Sections 2.1 and 2.5 of S.L. 2012-145 and Section 9.4 of S.L. 2013-360, to provide access to the Education Value-Added Assessment System for kindergarten, first, and second grades.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL (NCVPS) REVENUES

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

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

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

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

(1) Counties and municipalities.

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

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

(4) The State hospitals for the mentally ill.

(5) The Department of Health and Human Services.

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

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

(7) The North Carolina Schools for the Deaf.

(7a) The North Carolina Virtual Public School.

…

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

…

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

…."

NCVPS ALTERNATIVE FUNDING FORMULA

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

SECTION 8.11.(b) If any local school administrative unit or charter school elects to adopt the alternative funding formula as provided under subsection (a) of this section, the superintendent of the local school administrative unit or the executive officer of the charter school, as applicable, shall submit a written statement confirming selection of the alternative funding formula to the North Carolina Virtual Public School administrative office no later than May 1 each year to be eligible to apply the alternative formula in the subsequent fiscal year.

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

COMPETENCY-BASED LEARNING AND ASSESSMENTS

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

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

NO DECREASE IN SALARY FOR ASSISTANT PRINCIPALS WHO BECOME PRINCIPALS

SECTION 8.13.(a) G.S. 115C-285(a) is amended by adding a new subdivision to read:

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

SECTION 8.13.(b) This section applies to all assistant principals who become employed as principals without a break in service on or after July 1, 2015.

COLLABORATIVE PROCUREMENT

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

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

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

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

CHARTER SCHOOL ACCELERATOR GRANT PROGRAM

SECTION 8.15.(a) Parents for Educational Freedom in North Carolina, Inc. (PEFNC), shall use up to one million dollars ($1,000,000) for the 2015-2016 fiscal year and up to one million dollars ($1,000,000) in the 2016-2017 fiscal year from funds made available to it under this act to provide grant funding to participants for the development of up to 10 charter schools located in counties with local school administrative units that currently have a grade level proficiency less than or equal to sixty-five percent (65%) on end-of-grade and end-of-course tests. State funds shall only be used to provide grants to participants in the pilot program and shall not be used by PEFNC for its overhead costs in administering the program.

SECTION 8.15.(b) PEFNC shall require that grant recipients participating in the pilot program meet at least all of the following conditions:

(1) The recipient has been approved by the State Board of Education to operate a charter school.

(2) The charter school shall be located in a county with a local school administrative unit that currently has a grade level proficiency less than or equal to sixty-five percent (65%) on end-of-grade and end-of-course tests.

(3) The recipient charter school shall be subject to audit oversight by the State Auditor.

SECTION 8.15.(c) PEFNC may provide grants of up to two hundred thousand dollars ($200,000) to recipients for charter schools for the initial planning year and for charter

schools approved by the State Board of Education for the charter school fast-track replication process.

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

TEACHER EDUCATION PREPARATION REDESIGN

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

(1) Detailed plans for vigorous recruitment strategies and stringent admissions criteria to ensure that only outstanding candidates with strong academic credentials are admitted to the teacher education program.

(2) Proposed revisions to curriculum, including (i) examples of cooperation with other departments and colleges outside the teacher education program; (ii) coursework in candidates' major course of study that are successfully completed in the relevant college or university department rather than through the teacher education program; and (iii) close cooperation with local school administrative units and schools to ensure that teacher education students are effectively prepared in content area knowledge applicable to their future profession.

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

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

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

SECTION 8.16.(d) The constituent institution selected by the State Board of Education for the award of funds under this section shall report to the State Board of Education

and the Joint Legislative Education Oversight Committee on the redesign and implementation of the teacher education program by December 31, 2017.

STATEWIDE MICROSOFT® OFFICE COOPERATIVE AGREEMENT

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

REVISE THE DESIGNATION OF THE TEXTBOOK FUNDING ALLOTMENT

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

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

BONUSES FOR INDUSTRY CERTIFICATIONS AND CREDENTIALS PROGRAM

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

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

(a) It is the intent of the State to encourage students to enroll in and successfully complete rigorous coursework and credentialing processes in career and technical education to enable success in the workplace. To attain this goal, to the extent funds are made available for this purpose, students shall be supported to earn approved industry certifications and ~~credentials:~~credentials and teachers shall receive bonuses for each student who earns an approved industry certification or credential as follows:

(1) Students enrolled in public schools and in career and technical education courses shall be exempt from paying any fees for one administration of examinations leading to industry certifications and credentials pursuant to rules adopted by the State Board of Education.

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

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

(4) Bonuses shall be awarded to teachers of students earning approved industry certifications or credentials, pursuant to rules adopted by the State Board of Education. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars ($2,000) in any given school year. Direct instruction teacher bonuses shall be provided in the following amounts:

a. A bonus in the amount of twenty-five dollars ($25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a twenty-five-dollar ($25.00) value ranking.

b. A bonus in the amount of fifty dollars ($50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a fifty-dollar ($50.00) value ranking.

(5) The Department of Commerce, in consultation with the State Board of Education, shall assign a value ranking for each industry certification based on academic rigor and employment value in accordance with this subdivision. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:

a. Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with a bonus given for coursework that also provides community college credit.

b. Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.

~~(b) Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 15 of each year on the number of students in career and technical education courses who earned (i) community college credit and (ii) related industry certifications and credentials.~~"

SECTION 8.19.(b) This section applies beginning with the 2015-2016 school year.

ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER BONUSES

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

"**§ 115C-174.26. Advanced courses.**

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

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

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

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

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

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

b. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars ($2,000) in any given school year. The bonus awarded to a teacher pursuant to this subdivision shall be in

addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

…

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

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

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

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

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

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

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

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

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

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

READ TO ACHIEVE

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

"**§ 115C-83.3. Definitions.**

The following definitions apply in this Part:

…

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

…

(8) "Student reading portfolio" means a compilation of independently produced student work selected by the student's teacher, beginning during the first half of the school year, and signed by the teacher and principal, as an accurate picture of the student's reading ~~ability.~~ proficiency. The student reading portfolio shall include an organized collection of evidence of the student's ~~mastery of the State's reading standards that are assessed by the State-approved standardized test of reading comprehension administered to third grade students.~~ reading proficiency. A single piece of evidence may be used to show ~~mastery of~~ reading proficiency for up to two standards. For

each ~~benchmark,~~ reading standard, there shall be ~~three~~ two examples of student ~~work~~ work, gathered over the course of the school year, demonstrating ~~mastery by a grade of seventy percent (70%) or above.~~the student's reading proficiency. If a student correctly responds to eighty percent (80%) of the comprehension questions about one reading passage as used as an initial work sample, then that one work sample shall suffice to demonstrate student reading proficiency on the standards covered in that sample. A student reading portfolio shall only be compiled with students when it is determined that administration of a standardized test of reading comprehension would likely not yield positive findings of a student's reading proficiency.

…."

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

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

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

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

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

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

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

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

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

"(a) Parents or guardians of students not demonstrating reading proficiency shall be encouraged to enroll their student in a reading camp provided by the local school administrative unit. Parents or guardians of a student not demonstrating reading proficiency shall make the final decision regarding a student's reading camp attendance. If a parent or guardian does not enroll the student in a reading camp, the parent shall notify the school in which the student is

enrolled of any alternative reading interventions or instructional supports that shall be provided to the student to achieve reading proficiency. Local school administrative units shall provide at least one opportunity for students not participating in a reading camp to demonstrate reading proficiency appropriate for third grade students on an alternative assessment or through a student reading portfolio process approved by the State Board of Education prior to retaining the student."

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

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

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

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

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

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

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

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

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

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

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

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

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

…."

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

TWELVE-MONTH PERSONNEL POSITIONS FOR VOCATIONAL AGRICULTURE TEACHERS

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

"(b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months. State-allotted months of employment for vocational education to local boards shall be used for the employment of teachers of vocational and technical education for a term of employment to be determined by the local boards of education. However, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 1982-83 school year for any school year thereafter. In addition, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 2003-2004 school year for any school year thereafter. <u>In addition, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 2014-2015 school year for any school year thereafter.</u>

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

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

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

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

EDUCATION-BASED SUPPLEMENTS FOR CERTAIN TEACHERS

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

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

(1) Certified school nurses and instructional support personnel in positions for which a master's degree is required for licensure.

(2) Teachers and instructional support personnel who were paid on the "M" salary schedule or received that salary supplement prior to the 2014-2015 school year.

(3) Teachers and instructional support personnel who (i) complete a degree at the master's, six-year, or doctoral degree level for which they completed at least one course prior to August 1, 2013, and (ii) would have qualified for the salary supplement pursuant to State Board of Education policy, TCP-A-006, as it was in effect on June 30, 2013.

(4) Teachers and instructional support personnel who do not qualify under subdivisions (1), (2), and (3) of this subsection but who spend at least seventy percent (70%) of their work time as follows:

a. For teachers, in classroom instruction related to their graduate academic preparation in their field or subject area within their area of licensure. Most of the teachers' remaining time shall be spent in one or more of the following:

1. Mentoring teachers.
2. Performing demonstration lessons for teachers.
3. Writing curricula.
4. Developing and leading staff development programs for teachers.

b. For instructional support personnel, performing work within the employee's area of graduate academic preparation.

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

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

NC ELEVATING EDUCATORS ACT/ADVANCED TEACHING ROLES

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

(1) Enable local school administrative units to prototype advanced teaching roles and pay systems for eligible classroom teachers, in addition to base salary and other applicable local supplements, based on a classroom teacher's demonstrated effectiveness and additional responsibilities in reaching more students. For the purposes of this section, a classroom teacher is a teacher who works in the classroom providing instruction at least

seventy percent (70%) of the instructional day and who is not instructional support personnel.

(2) Enable local school administrative units to provide salary supplements and other supports to classroom teachers in advanced teaching roles. Advanced teaching roles shall focus on rewarding excellent teaching with more pay while staying within regular budgetary restraints.

(3) Evaluate local plans to establish and compensate teachers in advanced teaching roles to form the basis for public schools statewide to provide advanced teaching roles that are sustainable for local school administrative units.

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

(1) Advanced teaching roles eligibility and duties. –

a. Create job classifications for which eligible classroom teachers may apply for advanced teaching roles that include minimum qualifications and specific job responsibilities.

1. Minimum qualifications for advanced teaching roles shall include criteria demonstrating that the individual has had a measurable positive effect on student outcomes and is a qualified classroom teacher as well as an effective collaborator with other staff members. Minimum qualifications shall include at least one of the following:

I. Advanced certifications, such as National Board Certification or a master's degree in the area in which the teacher is licensed and teaching.

II. A rating of at least accomplished on each of the Teacher Evaluation Standards 1-5 on the North Carolina Teacher Evaluation instrument.

III. Exceeding expected student growth based on three years of teacher evaluation data as calculated by the State Board of Education.

2. Job responsibilities for advanced teaching roles may include opportunities for leadership, advising, and mentoring, such as becoming a leader for peers in positions formally accountable for students within their purview, by implementing age-appropriate blended learning and other new staffing models, leading a collaborative teaching community, modeling planning and assessment strategies, serving as an advisor and mentor, helping develop other teachers, completing and sharing action research projects focused on solving a school or classroom level concern for learning, co-teaching across multiple classrooms with other teachers, or coaching other teachers in highly effective instruction through modeling, co-teaching, and reflection.

b. Provide information in a form readily accessible to both teachers and the public on the criteria and procedures for selection for advanced teaching roles.

c. Establish equally stringent eligibility requirements to remain in an advanced teaching role as those required to initially attain that role.

d. Establish a procedure for determining whether a teacher in an advanced teaching role is successfully performing the additional duties associated with that position.

e. Ensure that teachers in advanced teaching roles may opt out of the pilot by voluntarily relinquishing the associated additional duties. Voluntary relinquishment of duties associated with advanced teaching roles shall not be considered a demotion under Part 3 or Part 3A of Article 22 of Chapter 115C of the General Statutes.

(2) Advanced teaching role supplements. –

a. Pay advanced teaching role salary supplements of up to thirty percent (30%) of the State teacher salary schedule.

b. Require that advanced teaching role salary supplements be paid as a supplement to the teacher's regular salary and not be included in the average salary calculation used for budgeting State allotments.

c. Require that teacher in an advanced teaching role who (i) fails to maintain the minimum criteria established for the position or (ii) is not successfully performing the additional duties associated with the advanced teaching role shall be paid only the salary applicable to him or her on the State salary schedule and any other local supplements that would otherwise apply to the teacher's compensation.

d. Require that a teacher who opts out of the advanced teaching role pilot shall be paid only the salary applicable to him or her on the State salary schedule and any other local supplements that would otherwise apply to the teacher's compensation.

(3) System goals. – Develop measures for determining how the advanced teaching role plan shall do at least the following:

a. Improve the quality of classroom instruction and increase school-wide growth.

b. Increase the attractiveness of teaching.

c. Encourage the recognition, impact, and retention of high-quality teachers.

d. Assist and retain beginning teachers.

e. Improve and expand use of technology and digital learning.

(4) Implementation requirements. – By the end of the 2016-2017 school year, demonstration of implementation of the advanced teaching role plan in at least five schools or twenty-five percent (25%) of the schools within the local school administrative unit, whichever is less. Implementation is defined as a minimum of seventy-five percent (75%) of students enrolled in schools with the advanced teaching role plan having, as their teacher of record in at least English Language Arts, math, social studies, and science, a classroom teacher who:

a. Has an advanced certification, such as National Board Certification or a master's degree in the area in which the teacher is licensed and teaching.

b. Has a rating of at least accomplished on each of the Teacher Evaluation Standards 1-5 on the North Carolina Teacher Evaluation instrument.

c. Exceeds expected student growth based on three years of teacher evaluation data as calculated by the State Board of Education.

(5) Sustainability of Pilot Program. – Demonstration of how the local school administrative unit will achieve financial sustainability for the plan developed and implemented in the pilot when grant funds are no longer provided.

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

(1) Up to five local school administrative units with an average daily membership (ADM) equal to or less than 4,000.

(2) Up to three local school administrative units with an ADM of 4,001 to 20,000.

(3) Up to two local school administrative units with an ADM of 20,001 or more.

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

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

(1) Salary supplements for advanced teaching roles.

(2) Development of advanced teaching role plans.

(3) Transition costs associated with designing and implementing advanced teaching role models in schools within the local school administrative unit. Transition costs may include employing staff members or contractors to assist with design and implementation of the pilot plan.

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

(1) Improvement in the quality of classroom instruction and increases in school-wide growth.

(2) An increase in the attractiveness of teaching.

(3) Recognition, impact, and retention of high quality teachers.

(4) Assistance to and retention of beginning teachers.

(5) Improvement in and expansion of use of technology and digital learning.

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

SECTION 8.24.(g) Appropriated Funds. – Of the funds appropriated to the Department of Public Instruction under this act for the 2015-2017 fiscal biennium to implement

the requirements of this section, the Department may use up to two hundred thousand dollars ($200,000) for each fiscal year for the State Board of Education to contract with an independent research organization for the pilot evaluations. For the 2016-2017 fiscal year, the Department shall use the sum of nine million eight hundred thousand dollars ($9,800,000) for the State Board of Education to select up to 10 local school administrative units to award funds for the advanced teaching role pilot program in accordance with this section. Funds awarded to local school administrative units shall be awarded in proportion to the current expenditure of the pilot local school administrative unit on teacher salaries.

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

SECTION 8.24.(i) G.S. 115C-105.25 is amended by adding a new subsection to read:

"(a1) Except as otherwise provided in subsection (b) of this section, the State Board of Education shall permit local boards of education to transfer, at the discretion of the local board, any available State funds into an allotment category to provide supplemental salaries and differential pay for school personnel."

REPEAL UNNECESSARY STATE BOARD OF EDUCATION REPORTS

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

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

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

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

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

The State Board of Education, in collaboration with the education roundtables within the Department of Public Instruction, shall consolidate all plans that affect the school community, including school improvement plans.

The consolidated plan shall be posted on each school's Web site for easy access by the public and by school personnel.

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

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

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

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

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

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

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

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

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

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

~~As part of this evaluation, the Board shall, where available, review the historical trend data on student academic performance on State tests. To the extent that the historical trend data suggest that the current standards for student performance may not be appropriate, the State~~

~~Board shall adjust the standards to assure that they continue to reflect the State's high expectations for student performance.~~"

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

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

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

SCHOOL SAFETY/STATEWIDE SCHOOL RISK AND RESPONSE MANAGEMENT SYSTEM

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

"(40) To ~~adopt emergency response plans. Local boards~~Adopt School Risk Management Plans. – Each local board of education shall, in coordination with local law enforcement and emergency management agencies, adopt ~~emergency response plans~~a School Risk Management Plan (SRMP) relating to incidents of school ~~violence.~~violence for each school in its jurisdiction. In constructing and maintaining these plans, local boards of education and local school administrative units shall utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

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

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

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

(b) ~~As part of a local board of education's emergency response plan, at least once a year, each school is encouraged to hold a full schoolwide school safety and lockdown exercise with local law enforcement agencies.~~For the purposes of this section, a tabletop exercise is an

exercise involving key personnel conducting simulated scenarios related to emergency planning.

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

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

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

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

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

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

(c) All data and information acquired and stored in the SRRMS as provided in subsections (a) and (b) of this section are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

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

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

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

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

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

of Public Safety, in consultation with the Department of Public Instruction and the North Carolina 911 Board, may develop standards and guidelines for the operations and use of the panic alarm tool.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Each local school administrative unit shall provide the following to the Division of Emergency Management (Division) at the Department of Public Safety: (i) schematic diagrams,

including digital schematic diagrams, and (ii) emergency response information requested by the Division for the School Risk Management Plan ~~(SRMP) and the School Emergency Response Plan (SERP).~~(SRMP). Local school administrative units shall also provide updated schematic diagrams and emergency response information to the Division when such updates are made. The Division shall ensure that the diagrams and emergency response information are securely stored and distributed as provided in the SRMP ~~and SERP~~to first responders, emergency personnel, and school personnel and approved by the Department of Public Instruction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Academic program. –

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

b. The board of directors shall conduct student assessments required by the State Board of Education.

c. The board of directors shall provide the opportunity to earn or obtain credit toward degrees from a community college subject to Chapter 115D of the General Statutes or a constituent institution of The University of North Carolina.

d. The board of directors shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

(2) Standards of performance and conduct. – The board of directors shall establish policies and standards for academic performance, attendance, and conduct for students of the regional school. The policies of the board of directors shall comply with Article 27 of this Chapter.

(3) School attendance. – Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the regional school and who is less than 16 years of age shall cause such child to attend school continuously for a period equal to the time that the regional school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the regional school. Any person who aids or abets a student's unlawful absence from the regional school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of directors, including regulations concerning

lawful and unlawful absences, permissible excuses for temporary absences, maintenance of attendance records, and attendance counseling.

(4) Reporting. – The board of directors shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.

(5) Assessment results. – The board of directors shall provide data to the participating unit in which a student is domiciled on the performance of that student on any testing required by the State Board of Education.

(6) Education of children with disabilities. – The board of directors shall require compliance with laws and policies relating to the education of children with disabilities.

(7) Health and safety. – The board of directors shall require that the regional school meet the same health and safety standards required of a local school administrative unit.

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

(7a) ~~Emergency Response Plan. – A~~School Risk Management Plan. – Each regional school, in coordination with local law enforcement agencies, is encouraged to adopt ~~an emergency response plan~~ a School Risk Management Plan (SRMP) relating to incidents of school violence. In constructing and maintaining these plans, a regional school may utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

(7b) Schematic diagrams and school crisis kits. – Regional schools are encouraged to provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies, in addition to implementing the provisions in ~~G.S. 115C-105.49(b) and~~ G.S. 115C-105.52.

(7c) School safety exercises. – At least once a year, a regional school is encouraged to hold a full school-wide lockdown exercise with local law enforcement and emergency management agencies that are part of the regional school's SRMP.

(7d) Safety information provided to Division of Emergency Management. – A regional school is encouraged to provide the following: (i) schematic diagrams, including digital schematic diagrams, and (ii) emergency response information requested by the Division for the SRMP. The schematic diagrams and emergency response information are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

(8) Driving eligibility certificates. – The board of directors shall apply the rules and policies established by the State Board of Education for issuance of driving eligibility certificates.

(9) Purchasing and contracts. – The board of directors shall comply with the purchasing and contract statutes and regulations applicable to local school administrative units.

(10) Exemption from the Administrative Procedures Act. – The board of directors shall be exempt from Chapter 150B of the General Statutes, except final decisions of the board of directors in a contested case shall be subject to

judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.

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

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

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

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

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

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

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

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

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

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

INVESTING IN INNOVATION GRANT

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

SECTION 8.27.(b) The federal Investing in Innovation Fund Grant: Validating Early College Strategies for Traditional Comprehensive High Schools awarded to the North Carolina New Schools Project for 2012-2020 requires students to enroll in a community college course in the 10th grade. Notwithstanding any other provision of law, specified local school administrative units may offer one community college course to participating sophomore (10th

grade) students. Participating local school administrative units are Alleghany, Beaufort, Bladen, Duplin, Hertford, Harnett, Jones, Madison, Martin, Richmond, Rutherford, Scotland, Surry, Warren, and Yancey County Schools.

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

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

STUDY ON CHARTER SCHOOL CLOSURE FUNDS

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

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

AFTER-SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANTS

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

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

(1) Use of an evidence-based model with a proven track record of success.
(2) Inclusion of rigorous, quantitative performance measures to confirm their effectiveness during the grant cycle and at the end-of-grant cycle.
(3) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

(4) Prioritization in programs to integrate clear academic content, in particular, science, technology, engineering, and mathematics (STEM) learning opportunities or reading development and proficiency instruction.

(5) Emphasis on minimizing student class size when providing instruction.

(6) Expansion of student access to learning activities and academic support that strengthen student engagement and leverage community-based resources, which may include organizations that provide mentoring services and private-sector employer involvement.

(7) Emphasis on utilization of digital content to expand learning time, when practicable.

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

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

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

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

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

DPI STUDY/IMPROVE OUTCOMES FOR STUDENTS WITH DISABILITIES

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

(1) Examine current Individualized Education Program (IEP) requirements and develop reforms with greater focus on outcome-based goals for students with disabilities.

(2) Solicit input and bring together stakeholders and other interested parties to develop policies on transition services plans for students with disabilities from elementary to middle school, middle to high school, and high school to

postsecondary education, and for employment opportunities and adult living options.

(3) Solicit input and bring together stakeholders to create accessible ways for students with IEPs to access the Future Ready Core Course of Study in more significant numbers as a viable option to the Occupational Course of Study.

(4) Examine model programs that may be employed by local school administrative units aimed at increasing the graduation rate and school performance of students with disabilities.

SECTION 8.30.(b) The funds appropriated to the Department of Public Instruction for the 2015-2017 fiscal biennium to implement the requirements of this section shall be used to (i) implement methods for improving outcomes for children with disabilities developed in accordance with subsection (a) of this section and (ii) provide technical assistance to local school administrative units to establish model programs aimed at increasing the graduation rate and school performance of students with disabilities.

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

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

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

2015-2016 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0-4	$3,500
5-9	3,723
10-14	4,080
15-19	4,437
20-24	4,743
25+	5,100

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

(1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.

(2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the supplement provided to them as "M" teachers.

(4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred

fifty-three dollars ($253.00) per month in addition to the supplement provided to them as "M" teachers.

(5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

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

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

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

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

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

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

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

2015-2016 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-9	$3,972	-	-	-	-
10	$4,057	-	-	-	-
11	$4,205	-	-	-	-
12	$4,325	-	-	-	-
13	$4,409	$4,409	-	-	-
14	$4,465	$4,465	-	-	-
15	$4,523	$4,523	$4,579	-	-
16	$4,579	$4,579	$4,638	-	-
17	$4,638	$4,638	$4,698	$4,758	-
18	$4,698	$4,698	$4,758	$4,821	$4,884
19	$4,758	$4,758	$4,821	$4,884	$4,948
20	$4,821	$4,821	$4,884	$4,948	$5,016
21	$4,884	$4,884	$4,948	$5,016	$5,083
22	$4,948	$4,948	$5,016	$5,083	$5,151

23	$5,016	$5,016	$5,083	$5,151	$5,221
24	$5,083	$5,083	$5,151	$5,221	$5,292
25	$5,151	$5,151	$5,221	$5,292	$5,368
26	$5,221	$5,221	$5,292	$5,368	$5,442
27	$5,292	$5,292	$5,368	$5,442	$5,517
28	$5,368	$5,368	$5,442	$5,517	$5,593
29	$5,442	$5,442	$5,517	$5,593	$5,672
30	$5,517	$5,517	$5,593	$5,672	$5,754
31	$5,593	$5,593	$5,672	$5,754	$5,836
32	$5,672	$5,672	$5,754	$5,836	$5,910
33	$5,754	$5,754	$5,836	$5,910	$6,027
34	$5,836	$5,836	$5,910	$6,027	$6,148
35	$5,910	$5,910	$6,027	$6,148	$6,271
36	$6,027	$6,027	$6,148	$6,271	$6,396
37	-	$6,148	$6,271	$6,396	$6,524
38	-	-	$6,396	$6,524	$6,654
39	-	-	$6,524	$6,654	$6,787
40	-	-	-	$6,787	$6,923
41	-	-	-	$6,923	$7,061
42	-	-	-	-	$7,202

2015-2016 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+)
0-19	$5,016	-	-	-
20	$5,083	-	-	-
21	$5,151	$5,221	-	-
22	$5,221	$5,292	$5,442	-
23	$5,292	$5,368	$5,517	$5,593
24	$5,368	$5,442	$5,593	$5,672
25	$5,442	$5,517	$5,672	$5,754
26	$5,517	$5,593	$5,754	$5,836
27	$5,593	$5,672	$5,836	$5,910
28	$5,672	$5,754	$5,910	$6,027
29	$5,754	$5,836	$6,027	$6,148
30	$5,836	$5,910	$6,148	$6,271
31	$5,910	$6,027	$6,271	$6,396
32	$6,027	$6,148	$6,396	$6,524
33	$6,148	$6,271	$6,524	$6,654
34	$6,271	$6,396	$6,654	$6,787
35	$6,396	$6,524	$6,787	$6,923
36	$6,524	$6,654	$6,923	$7,061
37	$6,654	$6,787	$7,061	$7,202
38	$6,787	$6,923	$7,202	$7,346
39	$6,923	$7,061	$7,346	$7,493
40	$7,061	$7,202	$7,493	$7,643
41	$7,202	$7,346	$7,643	$7,796
42	$7,346	$7,493	$7,796	$7,952
43	$7,493	$7,643	$7,952	$8,111
44	-	$7,796	$8,111	$8,273

45	-	$7,952	$8,273	$8,438
46+	-	-	$8,438	$8,607

SECTION 9.2.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

The number of teachers supervised includes teachers and assistant principals paid from State funds only; it does not include teachers or assistant principals paid from non-State funds or the principal or teacher assistants.

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

SECTION 9.2.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certified employee of the public schools and an additional step for every three years of experience serving as a principal on or before June 30, 2009. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

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

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

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

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

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

SECTION 9.2.(g) Participants in an approved full-time master's 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 master's 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 master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

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

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

CENTRAL OFFICE SALARIES

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

School Administrator I	$3,459	$6,449
School Administrator II	$3,664	$6,838
School Administrator III	$3,887	$7,252
School Administrator IV	$4,041	$7,539
School Administrator V	$4,202	$7,843
School Administrator VI	$4,455	$8,314
School Administrator VII	$4,633	$8,648

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

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

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

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

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

SECTION 9.3.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic

preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

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

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

NONCERTIFIED PERSONNEL SALARIES

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

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

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

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

ENSURE NO PRINCIPAL MAKES LESS THAN AN ASSISTANT PRINCIPAL

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

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

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

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

STUDY THE COMPENSATION OF SCHOOL-BASED ADMINISTRATORS

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

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

PART X. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

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

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

BASIC SKILLS PLUS

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

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

…

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

…

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

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

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

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

EQUIPMENT FUNDING

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

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

EXPAND AGRICULTURAL AND TRANSPORTATION CLASSES TO FRESHMEN AND SOPHOMORES

SECTION 10.4. G.S. 115D-20(4)a. reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to

it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

…

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

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:

1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.

2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or diploma and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in (i) industrial and engineering ~~technologies.~~technologies, (ii) agriculture and natural resources, or (iii) transportation technology.

3. College transfer certificates requiring the successful completion of thirty semester credit hours of transfer courses, including English and mathematics, for qualified junior and senior high school students."

COLLEGES EARN BUDGET FTE FOR CURRICULUM COURSES TAUGHT DURING THE SUMMER TERM

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

"(v) Community colleges may teach ~~technical education, health care, developmental education, and STEM-related~~ curriculum courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level."

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

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

COMMUNITY COLLEGES PROGRAM COMPLIANCE REVIEW FUNCTION

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

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

"(m) The State Board of Community Colleges shall maintain an ~~education program auditing~~ accountability function that conducts ~~an annual audit~~ periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the ~~annual audit~~ compliance review shall be to ensure that ~~college programs and related fiscal operations comply with State law, State regulations, State Board policies, and System Office guidance.~~(i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require ~~auditors of community college programs to~~ the use of a statistically valid sample size in performing ~~program audits~~ compliance reviews of community colleges. All ~~education program audit~~

compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews."

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

LIMIT ACTIVE DUTY SOLDIERS CC TUITION

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

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

(1) The active duty member of the Armed Forces was enrolled in a degree or other program at a community college and charged the in-State tuition rate at the time of deployment or reassignment.

(2) The active duty member of the Armed Forces was not able to remain continuously enrolled in the degree or other program at the community college due to deployment or reassignment.

(3) The active duty member of the Armed Forces reenrolls in the degree or other program at the community college in which the member was enrolled at the time the member was deployed or reassigned within 18 months of deployment or reassignment.

(4) The active duty member of the Armed Forces does not otherwise qualify for the in-State tuition rate.

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

COMMUNITY COLLEGE REMEDIATION PILOT PROJECT

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

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

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

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

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

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

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

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

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

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

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

a. South Piedmont Community College and the each participating local school administrative unit shall sign a memorandum of understanding for a recovery program for students at high risk of dropping out of school to complete high school in an alternative setting. Under this memorandum of understanding, students with no serious disciplinary experience who are at high risk of dropping out of school may, with the consent of the local school administrative unit and South Piedmont Community College, earn a high school diploma at South Piedmont Community College.

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

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

COMMUNITY COLLEGE INNOVATIVE PILOT PROGRAM

SECTION 10.9.(a) The State Board of Community Colleges shall establish the Community College Innovative Pilot Program for participating community colleges to establish new, innovative workforce development programs in development tier one and tier two counties as defined in G.S. 143B-437.08. The purpose of the pilot program is to expand the options available to community colleges in establishing new programs targeting the workforce development needs of economically distressed areas of the State by providing (i) initial funding for planning and start-up operational costs for new programs and (ii) the opportunity for community colleges to build student enrollment to create tuition-supported programs and increased job attainment for students. Implementation of the pilot program shall begin with the

2016-2017 academic year, continue for a period of three academic years, ending with the 2018-2019 academic year.

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

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

(1) The use of funds by community colleges participating in the pilot program, including:
   a. Start-up costs to establish new programs.
   b. Costs associated with student instruction, including faculty salaries, instructional supplies, and related instructional equipment.
   c. Financial assistance for students, including assistance with tuition, registration fees, books, and certification costs.

(2) Evaluation of the success of the community college programs, including:
   a. Student enrollment numbers.
   b. Student outcomes, including job attainment and placement data and completion of any certification, diploma, or associate degree programs.
   c. Number and type of programs that were fully supported by student tuition by the completion of the pilot program.

(3) Any recommendations on the expansion of the pilot program statewide and potential modifications to the State funding method for community colleges related to providing funds for new programs.

SECTION 10.9.(d) Of the funds appropriated under this act to the Community Colleges System Office for the 2015-2017 fiscal biennium to implement the requirements of this section, the System Office shall use the sum of two million dollars ($2,000,000) for the 2015-2016 fiscal year and the sum of two million dollars ($2,000,000) for the 2016-2017 fiscal year to award funds to community colleges participating in the pilot program. The System Office may use up to one hundred thousand dollars ($100,000) of those funds each fiscal year for administration and evaluation of the pilot program.

STUDY COMMUNITY COLLEGE FACULTY SALARIES

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

PART XI. UNIVERSITIES

USE OF ESCHEAT FUNDS FOR NEED-BASED FINANCIAL AID PROGRAMS

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

SECTION 11.1.(b) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to The University of North Carolina, the Department of Administration, and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

AMEND REGULATION OF UNC INSTITUTIONAL TRUST FUNDS AND FUNDS OF UNC HEALTH CARE SYSTEM

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

"(h) The Board may authorize, through the President, that the chancellors may deposit or invest each institution's available trust fund cash balances in interest-bearing accounts and other investments as may be authorized by the Board in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. <u>The amount of funds on deposit in an official depository shall be fully secured by deposit insurance, surety bonds, or investment securities of such nature, in such amounts, and in such manner as is prescribed by the Board of Governors for the security of public deposits generally.</u>"

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

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

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

<u>(a)</u> <u>Definitions. – The following definitions apply in this section:</u>

<u>(1)</u> <u>Abode. – Has the same meaning as G.S. 116-143.3(a)(1).</u>

<u>(2)</u> <u>Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).</u>

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

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

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

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

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

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

(c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment without satisfying the 12-month residency requirement under G.S. 116-143.1 if the person meets all of the following criteria:

(1) The person qualifies for admission to the institution of higher education as defined in G.S. 116-143.1(a)(3) and enrolls in the institution of higher education within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.

(2) The person is the recipient of federal educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.

(3) The person's abode is North Carolina.

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

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

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

SECTION 11.3.(c) Funds appropriated to the Board of Governors of The University of North Carolina pursuant to Section 11.12(b) of S.L. 2014-100 for the 2014-2015 fiscal year for the UNC Yellow Ribbon Reserve shall not revert at the end of the fiscal year but shall remain available unless provided otherwise by this act. This subsection becomes effective June 30, 2015.

SECTION 11.3.(d) Funds appropriated to the Community Colleges System Office for the 2014-2015 fiscal year for the Community College Yellow Ribbon Reserve pursuant to Section 11.12(b) of S.L. 2014-100 shall not revert at the end of the fiscal year but shall remain available unless provided otherwise by this act. This subsection becomes effective June 30, 2015.

SECTION 11.3.(e) This section becomes effective July 1, 2015, and applies to qualifying veterans and other individuals entitled to federal educational benefits under 38

U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who are enrolled or who enroll in institutions of higher education for any academic quarter, term, or semester that begins on or after that date.

UNC MANAGEMENT FLEXIBILITY REDUCTION

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

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

(1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.
(2) Faculty workload adjustments.
(3) Restructuring of research activities.
(4) Implementing cost-saving span of control measures.
(5) Reducing the number of senior and middle management positions.
(6) Eliminating low-performing, redundant, or low-enrollment programs.
(7) Using alternative funding sources.
(8) Protecting direct classroom services.

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

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

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

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

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

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 11.5. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars ($29,000,000) for the 2015-2016 fiscal year and twenty-nine million dollars ($29,000,000) for

the 2016-2017 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

LIMIT USE OF STATE FUNDS FOR UNC ADVANCEMENT PROGRAMS

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

NC GUARANTEED ADMISSION PROGRAM (NCGAP)

SECTION 11.7.(a) The General Assembly finds that the six-year graduation rate for students pursuing a baccalaureate degree from any constituent institution of The University of North Carolina is too low. The General Assembly further finds that it is important to design and implement a program for the purpose of achieving the following goals: to assist more students to obtain a baccalaureate degree within a shorter time period; to provide students with a college education at significantly lower costs for both the student and the State; to help decrease the amount of debt resulting from loans that a student may owe upon graduation; to provide a student with an interim degree that may increase a student's job opportunities if the student chooses not to continue postsecondary education; and to provide easier access to academic counseling that will assist a student in selecting coursework that reflects the student's educational and career goals and helps the student succeed academically.

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

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

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

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

SECTION 11.7.(d) The State Board of Community Colleges shall allocate a portion of the nonrecurring funds appropriated to the NCGAP Reserve by this act for the

2016-2017 fiscal year to assist community colleges with students who are participating in NCGAP.

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

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

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

APPALACHIAN STATE UNIVERSITY TEACHER RECRUITMENT PROGRAM/FRIDAY INSTITUTE EVALUATION OF TEACHER RECRUITMENT AND PREPARATION PROGRAMS

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

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

(1) One university program that focuses on recruiting high school high achievers into a four-year teacher preparation program, such as the Maynard Scholarship at East Carolina University.

(2) One university program that focuses on recruiting undergraduate students into teacher preparation programs, such as the Teacher Education Marketing Pilot at Appalachian State University.

(3) One university program that focuses on providing fifth-year students an opportunity to earn a Masters of Arts in Teaching in a shortened time frame, such as the MAT Program at Meredith College.

(4) One university program that focuses on connecting community college students to university teacher preparation programs in connection with the Comprehensive Articulation Agreement and related 2+2 initiatives, such as the 2+2 Online Program in Agricultural Education at North Carolina Agricultural and Technical State University.

(5) The Regional Alternative Licensing Centers that are focused on improving the quality and effectiveness of the workforce to lateral entry process.

(6) One innovative statewide university program focused on improving the recruitment of educators, such as NC INSPIRE at the University of North Carolina at Charlotte.

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

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

(1) Number of applicants and participants and progress toward one hundred percent (100%) participant capacity.
(2) Applicant and participant diversity, including information about demographics and geographic location.
(3) Where applicable, indicators of participant quality, including participants' grade point averages and initial leadership qualities and the quality of participants' colleges and universities.
(4) Cost per program and per participant.
(5) Participant assessment of program quality, including information gathered from participants via surveys, focus groups, or interviews.
(6) Independent, rubric-based observer assessment of program quality.
(7) Program completion rates.
(8) Hiring locations for program completers.
(9) Changes in program participation rates and cohort size across time.
(10) Changes in applicant and participant diversity, including information about demographics and geographic locations.
(11) Where applicable, changes in participant quality across time, including changes in cohort grade point averages, the quality of participants' colleges and universities, and direct and indirect measurements of leadership growth.
(12) Changes in costs across time, including the costs per program and the costs per participant over time.

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

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

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

TRANSFORMING PRINCIPAL PREPARATION

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

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

(1) Eligible entity. – A for-profit or nonprofit organization or an institution of higher education that has an evidence-based plan for preparing school

leaders who implement school leadership practices linked to increased student achievement.

(2) High-need school. – A public school, including a charter school, that meets one or more of the following criteria:

a. Is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.

b. Is a persistently low-achieving school, as identified by the Department of Public Instruction for purposes of federal accountability.

c. A middle school containing any of grades five through eight that feeds into a high school with less than a sixty percent (60%) four-year cohort graduation rate.

d. A high school with less than a sixty percent (60%) four-year cohort graduation rate.

(3) Principal. – The highest administrative official in a public school building with primary responsibility for the instructional leadership, talent management, and organizational development of the school.

(4) School leader. – An individual employed in a school leadership role, including principal or assistant principal roles.

(5) Student achievement. – At the whole school level, after three years of leading a school, consistent and methodologically sound measures of:

a. Student academic achievement.

b. Aggregated individual student academic growth.

c. Additional outcomes, such as high school graduation rates, the percentage of students taking advanced-level coursework, or the percentage of students who obtain a career-related credential through a national business certification exam.

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

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

(1) The nonprofit corporation shall be a nonprofit corporation organized pursuant to Chapter 55A of the General Statutes and shall comply at all times with the provisions of section 501(c)(3) of the Internal Revenue Code.

(2) The nonprofit corporation shall employ sufficient staff who have demonstrated a capacity for the development and implementation of grant selection criteria and a selection process to promote innovative school leader education programs, including:

a. Focus on school leader talent.

b. Expertise supporting judgments about grant renewal based on achievement of or substantial school leader progress toward measurable results in student achievement.

c. Expectation of creating positive experiences working with the educational community in North Carolina to establish the foundation for successfully administering the programs set forth in this section.

(3) The nonprofit corporation shall comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

(4) No State officer or employee may serve on the board of the nonprofit corporation.

(5) The board of the nonprofit corporation shall meet at least quarterly at the call of its chair.

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

SECTION 11.9.(f) Application Requirements. – The nonprofit corporation entering into a contract with the Authority under subsection (d) of this section shall issue an initial RFP with guidelines and criteria for the grants no later than March 1, 2016. An eligible entity that seeks a grant under the program authorized by this section shall submit to the nonprofit corporation an application at such time, in such manner, and accompanied by such information as the nonprofit may require. An applicant shall include at least the following information in its response to the RFP for consideration by the nonprofit corporation:

(1) The extent to which the entity has a demonstrated record of preparing school leaders who implement school leadership practices linked to increased student achievement.

(2) The extent to which the entity has a rigorous school leader preparation program design that includes the following research-based programmatic elements:

a. A proactive, aggressive, and intentional recruitment strategy.

b. Rigorous selection criteria based on competencies that are predictive of success as a school leader, including, but not limited to, evidence of significant positive effect on student learning growth in the classroom, at the school-level, and the local school administrative unit-level, professional recommendations, evidence of problem solving and critical thinking skills, achievement drive, and leadership of adults.

c. Alignment to high-quality national standards for school leadership development.

d. Rigorous coursework that effectively links theory with practice through the use of field experiences and problem-based learning.

e. Full-time clinical practice of at least five months in duration in an authentic setting, including substantial leadership responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.

f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.

g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.

h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.

i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.

j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

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

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

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

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

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

(1) The duration of grants shall be as follows:
a. Grants shall be no more than five years in duration.
b. The nonprofit corporation may recommend renewal of a grant based on performance, including allowing the grantee to scale up or replicate the successful program as provided in subdivision (2) of this subsection.

(2) In evaluating performance for purposes of grant renewal and making recommendations to the Authority, the nonprofit corporation shall consider:

a. For all grantees, the primary consideration in renewing grants shall be the extent to which program participants improved student achievement in eligible schools.

b. Other criteria from data received in the annual report in subsection (j) of this section may include the following:

1. The percentage of program completers who are placed as school leaders in this State within three years of receiving a grant.

2. The percentage of program completers who are rated proficient or above on the North Carolina School Executive Evaluation Rubric.

SECTION 11.9.(j) Reporting Requirements for Grant Recipients. – Recipients of grants under the program shall submit an annual report to the nonprofit corporation contracting with the Authority, beginning in the third year of the grant, with any information requested by the nonprofit corporation. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publically available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The nonprofit corporation shall work with recipients and local school administrative units, as needed, to enable the collection, analysis, and evaluation of at least the following relevant data, within necessary privacy constraints:

(1) Student achievement in eligible schools.

(2) The percentage of program completers who are placed as school leaders within three years in the State.

(3) The percentage of program completers rated proficient or above on school leader evaluation and support systems.

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

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

SECTION 11.9.(m) Of the funds appropriated each fiscal year for this program, the sum of five hundred thousand dollars ($500,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program. The State Education Assistance

Authority may use up to five percent (5%) of those funds each fiscal year for administrative costs.

SECTION 11.9.(n) Of the funds appropriated each fiscal year for this program, the sum of nine million dollars ($9,000,000) shall be allocated to the State Education Assistance Authority to award grants to selected recipients.

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

TEACHER RECRUITMENT AND SCHOLARSHIPS

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

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

"**§ 116-209.60. Definitions.**

The following definitions apply in this Part:

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

(2) Director. – The Director of the North Carolina Competitive Teaching Scholarship Loan Program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Grade point averages.

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

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

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

(e) Program Selection Criteria. – The Authority shall administer the program in cooperation with selected institutions of higher education with educator preparation programs

selected by the Commission, including North Carolina community colleges, postsecondary constituent institutions of The University of North Carolina, and private postsecondary institutions operating in the State. The Commission shall adopt stringent standards for selection of only the most effective educator preparation programs, including, but not limited to, the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) Upon the naming of recipients of the scholarship loans by the Commission, the Commission shall transfer to the Authority its decisions. The Authority, in coordination with

the Director, shall perform all of the administrative functions necessary to implement this Part, which functions shall include rule making, dissemination of information, disbursement, receipt, liaison with participating educational institutions, determination of the acceptability of service repayment agreements, and all other functions necessary for the execution, payment, and enforcement of promissory notes required under this Part.

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

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

a. Demographic information regarding recipients.

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

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

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

a. Number of graduates who have been employed in a hard-to-staff school and number of graduates who have been employed in a hard-to-staff area within two years of program completion.

b. Number of graduates who have begun loan repayment, including years of service, if any, prior to beginning loan repayment, including information as to whether the person was designated as hard-to-staff area or hard-to-staff subject loan.

c. Number of graduates who have fulfilled service requirements through employment in a hard-to-staff school and number of graduates who have fulfilled service requirements through employment in a hard-to-staff area.

d. Number of graduates employed in a hard-to-staff school or hard-to-staff area who have received an overall rating of at least accomplished and of meeting expected growth on applicable standards of the teacher evaluation instrument.

e. Aggregate information on student growth and proficiency in courses taught by graduates who have fulfilled service requirements through employment in a hard-to-staff school and in a hard-to-staff area.

(3) Selected school outcomes, by program, including the following:

a. Turnover rate for scholarship loan graduates.

b. Aggregate information on student growth and proficiency in courses taught by scholarship loan graduates.

c. Fulfillment rate of scholarship loan graduates.

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

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

(b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the loan if, within seven years after graduation from a program leading to teacher licensure, exclusive of any authorized deferment for extenuating circumstances, the recipient serves for four years as a teacher at a North Carolina public school identified as hard to staff or at a North Carolina public school in an identified hard-to-staff area of licensure, as provided in G.S. 116-209.61(d). The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for four years, within seven years after completion of the program leading

to teacher licensure at a North Carolina public school because of the death or permanent disability of the recipient. If the recipient repays the scholarship loan by cash payments, all indebtedness shall be repaid within eight years after completion of the program leading to teacher licensure supported by the scholarship loan. If the recipient completes a program leading to teacher licensure, payment of principal and interest shall begin no later than 27 months after the completion of the program. Should a recipient present extenuating circumstances, the Authority may extend the period to repay the loan in cash to no more than a total of 12 years.

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

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

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

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

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

SPECIAL EDUCATION SCHOLARSHIP CHANGES AND REEVALUATION FUNDS

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

"**§ 115C-112.6. Scholarships.**

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

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

(b) Scholarship Awards. – Scholarships awarded to eligible students shall be for amounts of not more than ~~three~~four thousand dollars ~~($3,000)~~($4,000) per semester per eligible student. Eligible students awarded scholarships may not be enrolled in a public school to which that student has been assigned as provided in G.S. 115C-366. Scholarships shall be awarded only for tuition and for the reimbursement of ~~tuition,~~ special education, related services, and

educational technology, as provided in subsection (b1) of this section. The Authority shall notify parents in writing of their eligibility to receive scholarships for costs that will be incurred during the spring semester of the following year by December 1 and for costs incurred during the fall semester of that year by July 1.

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

(1) Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education. Scholarship funds shall not be provided for tuition for home schooled students. If the student is attending a nonpublic school, the school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C-562.4, and the school shall be subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student.

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

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

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

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

~~b.~~1. Special education reimbursement. – Parents may only receive reimbursement for special education if the parent provides documentation that the student received special education for no less than 75 days of the semester for which the parent

seeks reimbursement. Special education reimbursement shall not be provided for special education instruction provided to a home schooled student by a member of the household of a home school, as defined in G.S. 115C-563(a).

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

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

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

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

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

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

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

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

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

(1) Conduct evaluations requested by a child's parent or guardian of suspected children with disabilities, as defined in G.S. 115C-107.3, in a timely manner as required by IDEA.

(2) Provide reevaluations to identified children with disabilities receiving scholarships as provided in Part 1H of this Article at the request of the parent or guardian to ensure compliance with G.S. 115C-112.6(c).

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

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

SECTION 11.11.(d) This section applies to scholarships awarded for the 2015-2016 school year.

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

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

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

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

SECTION 11.12.(d) This section applies to the 2015-2016 fiscal year and each subsequent fiscal year.

ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT

SECTION 11.13. No later than October 1, 2015, and quarterly thereafter, the president of The University of North Carolina shall report to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on the status of budget stabilization funds appropriated to Elizabeth City State University by this act for the purpose of enhancing technology related to enrollment and recruitment of students, campus access and safety, and human resources management. The reports shall provide detailed descriptions of the scope of work that has been completed to date, anticipated activities for the next quarter, and a plan with time line to complete the full scope of work. The reports shall also include evidence of improved services and outcomes achieved from improvements implemented using these funds.

UNC ENROLLMENT GROWTH REPORT

SECTION 11.14. G.S. 116-30.7 reads as rewritten:

"**§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.**

By ~~October~~ December 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to appropriate to The University of North Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING ONLINE PRIVATE SCHOOLS OF HIGHER EDUCATION

SECTION 11.15.(a) G.S. 116-280(3) reads as rewritten:

"**§ 116-280. Definitions.**

The following definitions apply to this Article:

…

(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.

2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.

c. A nonprofit postsecondary online educational institution that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Northwest Commission on Colleges and Universities through its Commission on Institutions of Higher Education.

2. Awards a postsecondary degree as defined in G.S. 116-15.

3. Satisfies the competencies for online educational institutions established by executive order of the Governor."

SECTION 11.15.(b) G.S. 116-282 reads as rewritten:

"**§ 116-282. Scholarship amounts; amounts dependent on availability of funds.**

(a) Subject to the sum appropriated by the General Assembly for an academic year to be awarded as scholarships under this Article, a scholarship awarded under this Article to a student at an eligible private postsecondary institution shall be determined annually by the Authority based upon the enrollment ~~status~~ status, mode of course delivery for an instructional program, and expected family contribution of the student, consistent with the methodology for the federal Title IV programs.

(b) The Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the sum appropriated for purposes of this Article by the General Assembly for that academic year and any unexpended funds that may be available pursuant to G.S. 116-283.

(b1) No scholarship awarded under this Article to a student at an eligible postsecondary online educational institution, when combined with federal Title IV program grant funds, shall be equal to or greater than the amount of the tuition for that academic year.

(c) The minimum award of a scholarship under this Article shall be five hundred dollars ($500.00)."

SECTION 11.15.(c) G.S. 147-12(a) is amended by adding a new subdivision to read:

"(15) To establish competencies and any other standards necessary to ensure that all instructional programs conducted by nonprofit postsecondary online educational institutions shall be of high quality and relevant to student needs."

EARLY COLLEGE GRADUATES/UNC ADMISSION POLICY

SECTION 11.16.(a) The Board of Governors of The University of North Carolina shall adopt a policy to require each constituent institution to offer to any student who graduated from a cooperative innovative high school program with an associate degree and who applies for admission to the constituent institution the option of being considered for admission as a freshman or as a transfer student. The constituent institution shall also provide written information to the student regarding the consequences that accompany each option and any other relevant information that may be helpful to the student when considering which option to select.

SECTION 11.16.(b) Beginning November 1, 2016, the Board of Governors shall report annually to the Joint Legislative Education Oversight Committee regarding the number of students who graduated from a cooperative innovative high school program with an associate degree and which option was chosen by those students when applying for admission to a constituent institution.

SECTION 11.16.(c) This section applies to the 2016-2017 academic year and each subsequent academic year.

ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER BONUSES FOR THE NCSSM AND NC SCHOOL OF THE ARTS HIGH SCHOOL

SECTION 11.17.(a) Article 29 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-235.5. Advanced courses.**

(a) Students enrolled in the North Carolina School of Science and Mathematics or in high school courses at the North Carolina School of the Arts shall have access to and shall be encouraged to enroll in and successfully complete more rigorous advanced courses to enable success in postsecondary education. For the purposes of this section, an advanced course is an Advanced Placement or International Baccalaureate Diploma Programme course.

(b) To attain this goal, to the extent funds are made available for this purpose, the following shall be provided:

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

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

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

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

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

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

(c) If funds are appropriated for advanced courses, the State Board of Education shall reimburse The University of North Carolina for fees for advanced courses for students enrolled in the North Carolina School of Science and Mathematics or in high school courses at the North Carolina School of the Arts and bonuses for teachers of those courses as provided in subsection (b) of this section."

SECTION 11.17.(b) G.S. 116-69 reads as rewritten:

"**§ 116-69. Purpose of school program.**

The primary purpose of the school shall be the professional training, as distinguished from liberal arts instruction, of talented students in the fields of music, drama, the dance, and allied performing arts, at both the high school and college levels of instruction, with emphasis placed upon performance of the arts, and not upon academic studies of the arts. The said school may also offer high school and college instruction in academic subjects, including advanced courses as provided in G.S. 116-235.5, and such other programs as are deemed necessary to meet the needs of its students and of the State, consistent with appropriations made and gifts received therefor, and may cooperate, if it chooses, with other schools which provide such courses of instruction. The school, on occasion, may accept elementary grade students of rare talent, and shall arrange for such students, in cooperation with an elementary school, a suitable educational program."

SEAA FUNDS FOR ADMINISTRATION OF SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM

SECTION 11.18. Section 5(b) of S.L. 2013-364 reads as rewritten:

"**SECTION 5.(b)** Of the funds appropriated to NCSEAA to be used for the award of scholarship grants to eligible students under subsection (a) of this section, for fiscal year 2013-2014, NCSEAA may retain up to two hundred thousand dollars ($200,000) for administrative costs associated with the scholarship grant program. For fiscal year ~~2014-2015~~ 2015-2016 and subsequent years, NCSEAA may retain up to ~~two percent (2%)~~ three percent (3%) annually for administrative costs associated with the scholarship grant program."

EDUCATION OPPORTUNITIES FOR STUDENTS WITH DISABILITIES

SECTION 11.19.(a) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, with the assistance of the Department of Health and Human Services, Division of Vocational Rehabilitation and Division of Social Services, the Department of Public Instruction, The University of North Carolina, and the North Carolina Community College System, and in consultation with the North Carolina Postsecondary Education Alliance, community stakeholders, and other interested parties, shall:

(1) Assess gaps and system needs to support transitions of people with disabilities to adulthood.

(2) Develop a program and fiscal policies to expand and sustain postsecondary education and employment opportunities for people with disabilities.

(3) Plan and implement approaches to public awareness about postsecondary education and employment for people with disabilities.

(4) Plan and implement joint policies and common data indicators for tracking the outcomes of people with disabilities after leaving high school.

(5) Consider options for technology to link agency databases.

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services by November 15, 2015, and annually thereafter through November 15, 2017, on the implementation of this section.

SECTION 11.19.(b) The State Education Assistance Authority shall study strategies for ensuring that the State system of financial assistance for postsecondary education is fully available to assist qualified students with disabilities who are enrolled in certificate-based, approved university programs developed for them. The Authority shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services by March 15, 2016, on the results of this study.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

TRANSITION TO PERFORMANCE-BASED MANAGED CARE, CARE MANAGEMENT, HEALTH SERVICES, AND HEALTH-RELATED SERVICES CONTRACTS

SECTION 12A.1.(a) The Department of Health and Human Services shall ensure that any contract related to managed care, care management, health services, or health-related services entered into or renewed by the Department, including any of its divisions, on or after the effective date of this section, contains all of the following clauses:

(1) A clause that clearly defines (i) objective, measurable outcomes and improvements in health status to be achieved at concrete milestones defined by the Department during the contract period and (ii) health outcomes measures to be maintained by the contractor during the contract period.

(2) A retainage clause specifying that, during the first year of the contract, five percent (5%) of the total amount of payment due from the Department will be withheld pending satisfactory achievement of the objective, measurable outcomes and improvements in health status specified in the contract. For each subsequent year of the contract, this percentage shall increase up to a maximum of ten percent (10%) by the third year of the contract.

(3) A clause specifying eligibility for, and the amount of, any bonuses to be paid to the contractor for exceeding specific health outcomes and improvements identified by the Department. In the event no bonuses are available for

exceeding specific health outcomes and improvements, the Department shall ensure that this clause explicitly states the unavailability of such bonuses.

(4) A termination clause that allows the Department to terminate the contract without cause upon 30 days' notice.

SECTION 12A.1.(b) Provider participation agreements are not considered contracts related to the provision of health services for the purposes of this section.

FUNDING FOR PROGRAMS TO IMPROVE CHILDREN'S HEALTH/ESTABLISH COMPETITIVE GRANTS PROCESS

SECTION 12A.2.(a) Findings. – The General Assembly finds that America spends twice as much on health care as any other nation, yet Americans are not the healthiest people in the world. Research indicates that spending on health care to treat people may actually come at the expense of investing in public health programs meant to keep people from getting sick in the first place. The General Assembly further finds that infant mortality rates are an indicator of a state's overall health status. North Carolina currently ranks 40th in the nation on infant mortality. Implementing statewide policies to invest in evidence-based programs that are scientifically proven to lower infant mortality rates, and improve birth outcomes and the health of children ages birth to five, will assure that future rankings for North Carolina are among the best in the nation.

SECTION 12A.2.(b) Designation of Lead Agency. – The Secretary of the North Carolina Department of Health and Human Services (Secretary) shall designate a lead agency that is responsible for doing all of the following:

(1) Assuming responsibility for controlling all funding and contracts designed to (i) improve North Carolina's birth outcomes, (ii) improve the overall health status of children in this State from ages birth to five, and (iii) lower this State's infant mortality rates.

(2) Working in consultation with the University of North Carolina Gillings School of Global Public Health to develop a statewide, comprehensive plan to accomplish the goals described in subdivision (1) of this subsection.

(3) Conducting a justification review of all programs and activities funded with State appropriations described under subsection (c) of this section.

SECTION 12A.2.(c) Nonrecurring Allocations. – For fiscal year 2015-2016 only, the Department of Health and Human Services shall allocate the following designated amounts for the following programs on a nonrecurring basis:

(1)	Maternal and Child Health Contracts	$ 2,847,094 NR
(2)	Healthy Beginnings	170,779 NR
(3)	Pregnancy Care Case Management	300,901 NR
(4)	Maternal, Infant, and Early Childhood Home Visiting	425,643 NR
(5)	Triple P-Positive Parenting Program	828,233 NR
(6)	NC Perinatal and Maternal Substance Abuse Initiative	2,729,316 NR
(7)	Perinatal Substance Abuse Specialist	45,000 NR
(8)	Residential Maternity Homes	375,000 NR

SECTION 12A.2.(d) Statewide Proposal and Justification Review. – By March 1, 2016, the Secretary shall submit the statewide proposal developed pursuant to subsection (b) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division for consideration during the 2016 Regular Session of the 2015 General Assembly. The statewide proposal shall include at least all of the following:

(1) Details of the statewide plan and identification of the lead agency responsible for assuring the success of the plan.

(2) Justification for continuing, reducing, or eliminating funding for the programs and activities that receive nonrecurring allocations for the 2015-2016 fiscal year.

(3) Recommendations for reallocation of funding from programs and activities that are not evidence-based and that are not producing positive returns on investment consistent with the goals described in subdivision (1) of subsection (b) of this section.

(4) Recommendations for investments in new initiatives that accomplish the goals described in subdivision (1) of subsection (b) of this section.

SECTION 12A.2.(e) Establishment of Competitive Grants Process for Local Health Departments. – It is the intent of the General Assembly that, beginning fiscal year 2016-2017, the Department of Health and Human Services implement a competitive grants process for local health departments based on a county's current health status and the county's detailed proposal to invest in evidence-based programs to achieve the goals described in subdivision (1) of subsection (b) of this section. To that end, the Department shall develop a plan that establishes a competitive grants process to be administered by the Division of Central Management and Support. The Department shall develop a plan that, at a minimum, includes each of the following components:

(1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis.

(2) A requirement that the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.

(3) A process that awards grants to local health departments dedicated to providing services on a countywide basis and that supports the goals described in subdivision (1) of subsection (b) of this section.

(4) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

SECTION 12A.2.(f) Funds for Competitive Grants Process. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of two million five hundred thousand dollars ($2,500,000) in recurring funds for each year of the 2015-2017 fiscal biennium and the sum of two million five hundred thousand dollars ($2,500,000) in nonrecurring funds for the 2015-2016 fiscal year shall be used to establish the competitive grants process for local health departments described in subsection (e) of this section. The Department shall not use more than five percent (5%) of these funds for administrative purposes.

SECTION 12A.2.(g) Evaluation Protocol for Future Program Funding. – The Department shall work with the University of North Carolina Gillings School of Global Public Health (School of Global Public Health) to establish an evaluation protocol for determining program effectiveness and future funding requirements at the local level. By April 1, 2016, the Department, in consultation with the School of Global Public Health, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the request for application process to allow local health departments to apply for and receive State funds on a competitive basis. The report shall include the counties awarded, the amount of the award, the types of programs to be funded, and the evaluation process to be used in determining county performance.

CREATION OF OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY WITHIN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 12A.3. Article 3 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 31A.

"**Office of Program Evaluation Reporting and Accountability**

"**§ 143B-216.52. Department of Health and Human Services; Office of Program Evaluation Reporting and Accountability.**

The Office of Program Evaluation Reporting and Accountability (OPERA) is hereby established within the Department of Health and Human Services.

"**§ 143B-216.53. Appointment, qualifications, and removal of OPERA Director.**

(a) The Secretary of Health and Human Services shall appoint a Director of OPERA, who shall perform the duties of the position independently. The Director shall report directly to the Secretary and shall not report to any other deputy, division director, or staff member of the Department.

(b) The Director must have a minimum of 10 years of experience in program evaluation equivalent to the duties of the office, including at least three years of experience at the management level.

(c) The Director may only be removed by the Governor effective 30 days after written notification by the Secretary of Health and Human Services to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the State Auditor, and the Director of the Fiscal Research Division of the Legislative Services Office. The notification must itemize the causes and particulars justifying the Director's removal.

"**§ 143B-216.54. Duties of the Office of Program Evaluation Reporting and Accountability.**

The Office of Program Evaluation Reporting and Accountability has the following duties:

(1) To assess the evidentiary basis of all Department programs as recommended by Evidence-Based Policymaking: A Guide for Effective Government, a project of the Results First Initiative of the Pew Charitable Trusts and the John D. and Katherine T. MacArthur Foundation.

(2) To identify and evaluate any Department program when directed by the General Assembly, the Secretary, or as deemed necessary by the Director.

(3) To develop an Internet Web site containing an inventory of departmental programs consisting of the program name and a link to a program profile. For each program, the profile must contain, at a minimum, all of the following:

a. Legal authority for the program.

b. Program performance for the past five fiscal years and year to date for the current fiscal year.

1. Outcome. – The verifiable quantitative effects or results attributable to the program compared to a performance standard.

2. Output. – The verifiable number of units of services or activities compared to a standard.

3. Efficiency. – The verifiable total direct and indirect cost per output and per outcome compared to a standard.

4. Performance standard. – A quantitative indicator based upon best practices, generally recognized standards, or comparisons with relevant programs in other states or regions for gauging achievement of efficiency, output, and outcomes.

5. Benchmarks. – A broad societal indicator used for gauging ultimate outcomes of the program, such as U.S. Census data.

c. Funding by source for the current and previous five fiscal years.

d. Listing of filled and vacant employee positions as specified by the Office of State Budget and Management.

e. Listing of contracts during the previous fiscal year and of the current fiscal year to date with individuals and firms and the actual and authorized cost, funding source, and purposes of those contracts.

f. Categorization by evidence of effectiveness as determined by the Office.

g. Potential return on investment of each program.

h. Findings and recommendations from internal and external State or federal audits, Office program assessments, and program evaluations.

(4) To assure that the Office Internet Web site allows users to list all of the following:

a. Programs that exceeded, met, or did not meet performance standards for efficiency, outputs, and outcomes for the immediate preceding fiscal year.

b. Programs by category of evidence of effectiveness.

c. Programs by potential return on investment.

d. Programs listed in a manner determined useful by the Office.

(5) To cooperate with and respond promptly to requests for program-level data and information from the Office of State Budget and Management, the Fiscal Research and Program Evaluation Divisions of the Legislative Services Office, and the State Auditor.

"**§ 143B-216.55. Powers of the Office of Program Evaluation Reporting and Accountability.**

The Office of Program Evaluation Reporting and Accountability is authorized to do all of the following:

(1) Have unfettered access to any data or record maintained by the Department and to assure its confidentiality when required by State or federal law.

(2) Interview any Department employee or independent contractor without others present.

(3) Conduct announced or unannounced inspections of departmental-owned or departmental-leased facilities."

HEALTH INFORMATION TECHNOLOGY

SECTION 12A.4.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physicians' offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 12A.4.(b) The Department of Health and Human Services shall establish and direct an HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system, and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including identifying resources and available opportunities for North Carolina institutions of higher education.

(7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.

(11) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 12A.4.(c) By no later than January 15, 2016, the Department of Health and Human Services shall provide a written report on the status of HIT efforts to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall be comprehensive and shall include all of the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) Other State information technology initiatives with potential applicability to State HIT efforts.
(4) Efforts to ensure coordination and avoid duplication of HIT efforts within the State.
(5) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.
(6) Department efforts to coordinate HIT initiatives within the State and any obstacles or impediments to coordination.
(7) HIT research efforts being conducted within the State and sources of funding for research efforts.
(8) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.
(9) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

TRANSFER OF OVERSIGHT AND ADMINISTRATION OF STATEWIDE HEALTH INFORMATION EXCHANGE NETWORK

SECTION 12A.5. Of the funds appropriated to the Department of Health and Human Services, Division of Central Management and Support, the sum of three million one hundred sixty thousand six hundred eleven dollars ($3,160,611) in fiscal year 2015-2016 and the sum of three million one hundred sixty thousand six hundred eleven dollars ($3,160,611) in fiscal year 2016-2017 shall be used by the Department to effect the transfer of the Orion Master Development Service Agreement and any other underlying contracts or agreements associated with the functionality of the HIE Network, as defined in G.S. 90-413.3, from the North Carolina Health Information Exchange (NC HIE), as defined in G.S. 90-413.3, to the Department of Health and Human Services, in the event of the dissolution of the NC HIE. The Department shall ensure that any transfer agreement contains a clause that obligates the NC HIE, prior to dissolution, to fully cooperate with the Department in all efforts related to the transfer, including providing the Department with access to any requested financial information pertaining to the HIE Network. The Department shall not use these funds for purposes other than the purposes described in this section.

FUNDS FOR NCTRACKS, THE REPLACEMENT MULTIPAYER MEDICAID MANAGEMENT INFORMATION SYSTEM

SECTION 12A.6. Funds appropriated in this act in the amount of two million seven hundred thousand dollars ($2,700,000) for the 2015-2016 fiscal year and in the amount of one million three hundred forty thousand dollars ($1,340,000) for the 2016-2017 fiscal year shall be used to match federal funds for NCTRACKS, the replacement multipayer Medicaid Management Information System. In the event these funds are insufficient, the Department may, with prior approval from the Office of State Budget and Management (OSBM), utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for NCTRACKS. The Department shall report to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and the Fiscal Research Division on the utilization and amounts of any overrealized receipts or other funds used to make up for any shortfall in funding for NCTRACKS.

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.7. Funds appropriated in this act in the amount of five million eight hundred three thousand dollars ($5,803,000) for the 2015-2016 fiscal year and thirteen million fifty-two thousand dollars ($13,052,000) for the 2016-2017 fiscal year along with prior year

earned revenue in the amount of nine million four hundred thousand dollars ($9,400,000) and the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds in the 2015-2016 and 2016-2017 fiscal years to expedite the development and implementation of Child Care, Low Income Energy Assistance, Crisis Intervention Programs, Child Services, and NC FAST Federally-Facilitated Marketplace (FFM) Interoperability components of the NC FAST program. The Department shall report any changes in approved federal funding or federal match rates within 30 days after the change to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and the Fiscal Research Division.

FUNDING FOR NONPROFIT ORGANIZATIONS COMPETITIVE GRANTS PROCESS

SECTION 12A.8.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of ten million three hundred twenty-eight thousand nine hundred eleven dollars ($10,328,911) for each year of the 2015-2017 fiscal biennium and the sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in Section 12I.1 of this act in Social Services Block Grant funds for each year of the 2015-2017 fiscal biennium shall be used to allocate funds for nonprofit organizations.

SECTION 12A.8.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

(1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis.

(2) A requirement that nonprofits match a minimum of ten percent (10%) of the total amount of the grant award.

(3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.

(4) A process that awards grants to nonprofits that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:

a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.

b. A system of residential supports for those afflicted with substance abuse addiction.

c. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.

d. Supports and services to children and adults with developmental disabilities or mental health diagnoses.

e. A food distribution system for needy individuals.

f. The provision and coordination of services for the homeless.

g. The provision of services for individuals aging out of foster care.

h. Programs promoting wellness, physical activity, and health education programming for North Carolinians.

i. A program focused on enhancing vision screening through the State's public school system.

j. Provision for the delivery of after-school services for apprenticeships or mentoring at-risk youth.

k. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease. No less than four hundred thousand dollars ($400,000) shall be awarded for a program meeting the requirements of this sub-subdivision.

l. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.

m. A program providing long-term residential substance abuse services. For purposes of this sub-subdivision, "long-term" means a minimum of 12 months.

(5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

(6) A requirement that grants be awarded to nonprofits for two years.

SECTION 12A.8.(c) No later than December 1 of each fiscal year, each nonprofit organization receiving funding pursuant to subsection (b) of this section shall submit to the Division of Central Management and Support a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

(1) The entity's mission, purpose, and governance structure.

(2) A description of the types of programs, services, and activities funded by State appropriations.

(3) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.

(4) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.

(5) A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

SECTION 12A.8.(d) No later than July 1, 2015, and every two years thereafter, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective two-year period pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.

(2) The amount of funding awarded to each grantee.

(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 12A.8.(e) For the 2015-2017 fiscal biennium only, from the sum of ten million three hundred twenty-eight thousand nine hundred eleven dollars ($10,328,911) referred to in subsection (a) of this section, the Department shall allocate the sum of one million three hundred thousand dollars ($1,300,000) in each year of the 2015-2017 fiscal biennium to Triangle Residential Options for Substance Abusers, Inc., (TROSA) for the purpose of assisting individuals with substance abuse addiction. TROSA shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.

COMMUNITY HEALTH GRANT PROGRAM CHANGES

SECTION 12A.9. The Department of Health and Human Services, Office of Rural Health and Community Care, shall repurpose two million two hundred fifty thousand dollars ($2,250,000) in Health Net appropriations to the Community Health Grant Program. The new appropriation for this program is seven million six hundred eighty-seven thousand one hundred sixty-nine dollars ($7,687,169) in recurring funds. To ensure continuity of care, safety-net agencies receiving Health Net funds at the end of the 2014-2015 fiscal year shall be eligible to apply for and receive Community Health Grant funds at their current level of funding for the 2015-2016 and 2016-2017 fiscal years. After the 2016-2017 fiscal year, these agencies must submit an application for funding through the competitive Community Health Grant process. The Community Health Grant Program is available to rural health centers, free clinics, public health departments, school-based health centers, federally qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to low-income populations, including uninsured, underinsured, Medicaid, and Medicare residents across the State.

RURAL HEALTH LOAN REPAYMENT PROGRAMS

SECTION 12A.10.(a) The Department of Health and Human Services, Office of Rural Health and Community Care, shall use funds appropriated in this act for loan repayment to medical, dental, and psychiatric providers practicing in State hospitals or in rural or medically underserved communities in this State to combine the following loan repayment programs in order to achieve efficient and effective management of these programs:

(1) The Physician Loan Repayment Program.
(2) The Psychiatric Loan Repayment Program.
(3) The Loan Repayment Initiative at State Facilities.

SECTION 12A.10.(b) These funds may be used for the following additional purposes:

(1) Continued funding of the State Loan Repayment Program for primary care providers and expansion of State incentives to general surgeons practicing in Critical Access Hospitals (CAHs) located across the State.
(2) Expansion of the State Loan Repayment Program to include eligible providers residing in North Carolina who use telemedicine in rural and underserved areas.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

SECTION 12B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces

who was injured or killed while serving on active duty. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

Other than developmental disabilities or other chronic health issues, the Division shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 12B.1.(b) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 12B.1.(c) Programmatic Standards. – All entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 12B.1.(d) NC Pre-K Committees. – Local NC Pre-K committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding prekindergarten classroom slots and student selection.

SECTION 12B.1.(e) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Oversight Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program by county.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

SECTION 12B.1.(f) Audits. – The administration of the NC Pre-K program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-168.14(b).

CHILD CARE SUBSIDY RATES

SECTION 12B.2.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0-5	200%
6-12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 12B.2.(b) Effective July 1, 2015, the Department of Health and Human Services, Division of Child Development and Early Education, shall revise its child care subsidy policy to exclude from the policy's definition of "income unit" a nonparent relative caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child receiving child care subsidy does not live in the home with the child.

SECTION 12B.2.(c) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. Co-payments shall be prorated for part-time care based on policies that were in place prior to October 1, 2014.

SECTION 12B.2.(d) 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 (g) 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 (g) 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.2.(e) 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.2.(f) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 12B.2.(g) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher-quality centers and homes only. The Division shall define higher-quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of four- and five-star-rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star-rated facilities for non-star-rated programs, such as religious programs.

SECTION 12B.2.(h) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (g) of this section, no separate licensing

requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 12B.2.(i) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12B.2.(j) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 12B.2.(k) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.3.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 12B.2 of this act.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

(3) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2015-2016 and 2016-2017 fiscal years.

SECTION 12B.3.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

SECTION 12B.3.(c) When implementing the formula under subsection (a) of this section, the Department of Health and Human Services, Division of Child Development and Early Education, shall include the market rate increase in the formula process, rather than calculating the increases outside of the formula process. Additionally, the Department shall do the following:

(1) For fiscal year 2015-2016, (i) continue implementing one-third of the change in a county's allocation based on the new Census data; (ii) implement an additional one-third of the change in a county's allocation beginning fiscal year 2016-2017; and (iii) the final one-third change in a county's allocation beginning fiscal year 2018-2019. However, the following applies regarding increases to a county's allocation:

a. For the 2015-2016 fiscal year allocations, a county that did not have a child care subsidy waiting list during the 2014-2015 fiscal year shall not receive an increase in its allocation due to the new allocation formula directed in this subdivision.

b. Beginning fiscal year 2015-2016, a county whose spending coefficient is below ninety-five percent (95%) in the previous fiscal year shall not receive an increase in its allocation in the following fiscal year. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-five percent (95%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1 of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this sub-subdivision and the reasons for the waiver.

(2) Effective immediately following the next new Census data release, implement (i) one-third of the change in a county's allocation in the year following the data release; (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision; and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.4. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.5. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION

SECTION 12B.6.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars ($80,000), whichever is greater.

SECTION 12B.6.(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

SECTION 12B.6.(c) The Division of Child Development and Early Education may adjust the allocations in the Child Care and Development Fund Block Grant under Section 12I.1 of this act according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30 of each year.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 12B.7.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.
(2) Increase the parents' ability to raise healthy, successful children.
(3) Improve children's health.
(4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 12B.7.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 12B.7.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

(1) The population of the area serviced by a local partnership.
(2) The amount of State funds administered.

(3) The amount of total funds administered.
(4) The professional experience of the individual to be compensated.
(5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 12B.7.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the 2015-2017 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%) for a total match requirement of fifteen percent (15%) for the 2015-2017 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
(3) Not include expenses funded by State funds.
(4) Be supplemental to and not supplant preexisting resources for related program activities.
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
(6) Be otherwise allowable under federal or State law.
(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a fifteen-percent (15%) match by June 30 of the 2015-2016 and 2016-2017 fiscal years shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Oversight Committee on Health and Human Services in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 12B.7.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 12B.7.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 12B.7.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 12B.7.(h) Expenditure Restrictions. – The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2015-2017 fiscal biennium shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for the 2015-2017 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2015-2017 fiscal biennium.

For the 2015-2017 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

STATEWIDE EARLY EDUCATION AND FAMILY SUPPORT PROGRAMS

SECTION 12B.8.(a) The Joint Legislative Oversight Committee on Health and Human Services shall appoint a subcommittee to study early childhood and family support programs, including the Child Care Subsidy program, NC Prekindergarten program (NC Pre-K), and the Smart Start program. In conducting the study, the subcommittee shall consider the following:

(1) The purpose, outcomes, and effectiveness of each program.

(2) The flexibility needed to ensure the needs of young children in counties across the State are met.

(3) The potential for streamlined administration across the programs.

(4) Any other relevant issues the subcommittee deems appropriate.

SECTION 12B.8.(b) The subcommittee may seek input from other states, stakeholders, and national experts on early child and family support programs as it deems necessary.

SECTION 12B.8.(c) The subcommittee shall develop a proposal for a statewide plan that addresses how to meet county or regional needs of children by county or region. The subcommittee shall submit a report on the proposed statewide plan to the Joint Legislative Oversight Committee on Health and Human Services on or before April 1, 2016, at which time the subcommittee shall terminate.

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

SECTION 12C.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2013, through September 30, 2016. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 12C.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 12C.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2013 through 2016, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2015. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2016.

SECTION 12C.1.(d) For each year of the 2015-2017 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2014-2015 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 12C.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2015-2016 fiscal year or the 2016-2017 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

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. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a Guardianship Assistance Program to implement this section, including defining the phrase "legal guardian" as used in this section.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 12C.5.(a) Funds appropriated from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 12C.5.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars ($50,000) for the 2015-2016 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2016-2017 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 12C.5.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2015-2016 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2016-2017 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary

support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 12C.5.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

SECTION 12C.6.(a) It is the intent of the General Assembly to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and will lead to the development of evidence-based programs to serve the at-risk population described in this section.

SECTION 12C.6.(b) To that end, there is created the Foster Care Transitional Living Initiative Fund that will support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

(1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent Randomized Controlled Trial. Results indicate that Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.

(2) Public-Private Partnership, which is a commitment by private-sector funding partners to match one hundred percent (100%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2015-2017 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.

(3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.

(4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

SECTION 12C.6.(c) G.S. 131D-10.9A reads as rewritten:

"**§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

(a) Creation and Membership. – The Permanency Innovation Initiative Oversight Committee is established. The Committee shall be located administratively in the General Assembly. The Committee shall consist of ~~11~~ 12 members serving staggered terms. In making appointments, each appointing authority shall select members who have appropriate experience and knowledge of the issues to be examined by the Committee and shall strive to ensure racial,

gender, and geographical diversity among the membership. The initial Committee members shall be appointed on or after July 1, 2013, as follows:

(1) Four members shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives. Of the members appointed under this subdivision, at least one shall be a member of the judiciary who shall serve for a term of two years and at least one shall be a representative from the Children's Home Society of North Carolina who shall serve for a term of three years. One member of the House shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.

(2) Four members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate. Of the members appointed under this subdivision, at least one shall be a representative from the Department of Health and Human Services, Division of Social Services, who shall serve for a term of two years and at least one shall be a representative from The Duke Endowment who shall serve for a term of three years. One member of the Senate shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.

(3) ~~Three~~ Four members shall be appointed by the Governor. Of the members appointed under this subdivision, at least one shall be a representative from a county department of social services who shall serve for a term of three ~~years and~~ years, at least one shall be a representative from the University of North Carolina at Chapel Hill who shall serve for a term of two ~~years.~~ years, and at least one shall be a representative from Youth Villages who shall serve for a term of two years. The remaining member shall serve a one-year term.

…

(c) Purpose and Powers. – The Committee shall:

(1) Design and implement a data tracking methodology to collect and analyze information to gauge the success of the ~~initiative.~~initiative established under this section as well as an initiative for foster care youth transitioning to adulthood in accordance with Part 3 of this Article.

(2) Develop a methodology to identify short- and long-term cost-savings in the provision of foster care and foster care transitional living services and any potential reinvestment strategies.

(3) Oversee program implementation to ensure fidelity to the program models identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a).~~G.S. 131D-10.9B(a) and under subdivisions (1) through (4) of G.S. 131D-10.9G(a).

(4) Study, review, and recommend other policies and services that may positively impact ~~permanency and well-being outcomes.~~permanency, well-being outcomes, and youth aging out of the foster care system.

…."

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 12C.7.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.

(2) Use federal incentive funds to improve the effectiveness of the State's centralized child support services by supplementing and not supplanting State expenditures for those services.

(3) Develop and implement rules that explain the State process for calculating and distributing federal incentive funding to county child support services programs.

SECTION 12C.7.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, examine the current methodology for distributing federal incentive funding to the county programs and determine whether an alternative formula would be appropriate. NCCSS shall use its current formula for distributing federal incentive funding until an alternative formula is adopted.

(2) Upon adopting an alternative formula, develop a process to phase-in the alternative formula for distributing federal incentive funding over a four-year period.

SECTION 12C.7.(c) Reporting by County Child Support Services Programs. - NCCSS shall establish guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

(1) Submit an annual plan describing how federal incentive funding would improve program effectiveness and efficiency as a condition of receiving federal incentive funding.

(2) Report annually on: (i) how federal incentive funding has improved program effectiveness and efficiency and been reinvested into their programs, (ii) provide documentation that the funds were spent according to their annual plans, and (iii) explain any deviations from their plans.

SECTION 12C.7.(d) Plan/Report by NCCSS. – The NCCSS shall develop a plan to implement the requirements of this section. Prior to implementing the plan, NCCSS shall submit a progress report on the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2015.

After implementing the plan, NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the State process the NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

CHILD PROTECTIVE SERVICES IMPROVEMENT INITIATIVE/REVISE STATEWIDE EVALUATION REPORT DATE

SECTION 12C.8. The Department of Health and Human Services, Division of Social Services, shall report on the findings and recommendations from the comprehensive,

statewide evaluation of the State's child protective services system required by Section 12C.1(f) of S.L. 2014-100 to the Joint Legislative Oversight Committee on Health and Human Services on or before March 1, 2016.

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES

STATE-COUNTY SPECIAL ASSISTANCE RATES

SECTION 12D.1.(a) For each year of the 2015-2017 fiscal biennium, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per resident.

SECTION 12D.1.(b) For each year of the 2015-2017 fiscal biennium, the maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident.

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

FUNDS FOR SCHOOL NURSES

SECTION 12E.1.(a) Funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced-price meals.
(3) Percentage of children in poverty.
(4) Per capita income.
(5) Eligibility as a low-wealth county.
(6) Mortality rates for children between one and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

SECTION 12E.1.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.
(2) Provide health education to students, staff, and parents.
(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
(4) Support healthy food services programs.
(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
(9) Be available to assist the county health department during a public health emergency.

AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 12E.2. The Department of Health and Human Services shall work with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the treatment of individuals in the custody of DPS who have been diagnosed with Human Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these funds to be accounted for as State matching funds in the Department of Health and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance Program (ADAP).

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 12E.3.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 12E.3.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

(1) The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).

(2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.

(3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.

(4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:

a. Heart Disease.
b. Stroke.
c. Diabetes.
d. Obesity.
e. Asthma.
f. HIV/AIDS.
g. Cancer.

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 12E.3.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following deceased members of the General Assembly: Bernard Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 12E.3.(d) By October 1, 2017, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on funds appropriated to the CFEHDI for the 2015-2017 fiscal biennium. The report shall include specific activities undertaken by grantees pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.

(2) The amount of funding awarded to each grantee.

(3) Which of the minority populations were served by each grantee.

(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.

(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations and the specific success in reducing particular incidences.

MANDATORY MEDICAL EXAMINER TRAINING AND REVOCATION OF APPOINTMENT FOR CAUSE

SECTION 12E.4.(a) G.S. 130A-382 reads as rewritten:

"**§ 130A-382. County medical examiners; appointment; term of office; ~~vacancies.~~vacancies; training requirements; revocation for cause.**

(a) The Chief Medical Examiner shall appoint one or more county medical examiners for each county for a three-year term. In appointing medical examiners for each county, the Chief Medical Examiner shall give preference to physicians licensed to practice medicine in this State but may also appoint licensed physician assistants, nurse practitioners, nurses, ~~coroners,~~ or emergency medical technician paramedics. A medical examiner may serve more than one county. The Chief Medical Examiner may take jurisdiction in any case or appoint another medical examiner to do so.

(b) County medical examiners shall complete annual continuing education training as directed by the Office of the Chief Medical Examiner and based upon established and published guidelines for conducting death investigations. The continuing education training shall include training regarding sudden unexplained death in epilepsy. The Office of the Chief Medical Examiner shall annually update and publish these guidelines on its Internet Web site. Newly appointed county medical examiners shall complete mandatory orientation training as directed by the Office of the Chief Medical Examiner within 90 days of their appointment.

(c) The Chief Medical Examiner may revoke a county medical examiner's appointment for failure to adequately perform the duties of the office after providing the county medical examiner with written notice of the basis for the revocation and an opportunity to respond."

SECTION 12E.4.(b) This section becomes effective January 1, 2016.

INCREASE IN NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEE

SECTION 12E.5.(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 ($1,250).~~one thousand seven hundred fifty dollars ($1,750)."

SECTION 12E.5.(b) The Department of Health and Human Services, Division of Public Health, shall study and evaluate (i) the method of autopsy financing and the cost-sharing of this service between the State and counties and (ii) the amount of State appropriations that would be necessary to eliminate the shortfall between the amount of the autopsy fee imposed pursuant to G.S. 130A-389(a) and the actual cost of performing an autopsy. The Department shall report its findings and any recommended changes in State appropriations for, and cost-sharing of, this service to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division for consideration during the 2016 Regular Session of the 2015 General Assembly.

SECTION 12E.5.(c) Subsection (a) of this section becomes effective July 1, 2015, and applies to fees imposed for autopsies on or after that date.

INCREASE IN MEDICAL EXAMINER FEES

SECTION 12E.6.(a) G.S. 130A-387 reads as rewritten:

"**§ 130A-387. Fees.**

For each investigation and prompt filing of the required report, the medical examiner shall receive a fee 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 hundred dollars ($100.00).~~two hundred dollars ($200.00)."

SECTION 12E.6.(b) Subsection (a) of this section becomes effective July 1, 2015, and applies to fees imposed for investigations and reports filed on or after that date.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.1.(a) Use of Funds. – Of the funds appropriated in Section 2.1 of this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of forty-three million forty-nine thousand one hundred forty-four dollars ($43,049,144) for the 2015-2016 fiscal year and the sum of forty-three million forty-nine thousand one hundred forty-four dollars ($43,049,144) for the 2016-2017 fiscal year shall be used to purchase

additional local inpatient psychiatric beds or bed days not currently funded by or though LME/MCOs. The Department shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level, with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by the Department. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise available to the Department for the purchase of inpatient psychiatric services through contracts with local hospitals.

SECTION 12F.1.(b) Distribution and Management of Beds or Bed Days. – The Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are distributed across the State in LME/MCO catchment areas and according to need as determined by the Department. The Department shall ensure that beds or bed days for individuals with higher acuity levels are distributed across the State in LME catchment areas, including any catchment areas served by managed care organizations, and according to greatest need based on hospital bed utilization data. The Department shall enter into contracts with LME/MCOs and local hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days, including the determination of the specific local hospital or State psychiatric hospital to which an individual should be admitted pursuant to an involuntary commitment order.

SECTION 12F.1.(c) Funds to Be Held in Statewide Reserve. – Funds appropriated to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims for payment to the Department within 15 working days after receipt of a clean claim from the hospital and shall pay the hospital within 30 working days after receipt of payment from the Department.

SECTION 12F.1.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c) of this section, the Department may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

SECTION 12F.1.(e) Reporting by LME/MCOs. – The Department shall establish reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

SECTION 12F.1.(f) Reporting by Department. – By no later than December 1, 2016, and by no later than December 1, 2017, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) funds appropriated in this act that are designated for this

purpose in subsection (a) of this section, (ii) existing State appropriations, and (iii) local funds.

(2) Other Department initiatives funded by State appropriations to reduce State psychiatric hospital use.

SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 12F.2. For the purpose of mitigating cash flow problems that many LME/MCOs experience at the beginning of each fiscal year relative to single stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year.

FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

SECTION 12F.3.(a) Recurring funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2015-2017 fiscal biennium for the North Carolina Child Treatment Program (NC CTP) shall be used for the following purposes:

(1) To continue to provide clinical training and coaching to licensed Medicaid clinicians on an array of evidence-based treatments and to provide a statewide platform to assure accountability and outcomes.

(2) To maintain and manage a public roster of program graduates, linking high-quality clinicians with children, families, and professionals.

(3) To partner with State, LME/MCO, and private sector leadership to bring effective mental health treatment to children in juvenile justice and mental health facilities.

SECTION 12F.3.(b) All data, including any entered or stored in the State-funded secure database developed for the NC CTP to track individual-level and aggregate-level data with interface capability to work with existing networks within State agencies, is and remains the sole property of the State.

FUNDS TO INCREASE CAPACITY FOR BEHAVIORAL HEALTH CRISIS SERVICES

SECTION 12F.4.(a) The following definitions apply in this section:

(1) Behavioral health urgent care center. – An outpatient facility that provides walk-in crisis assessment, referral, and treatment by licensed behavioral health professionals with prescriptive authority to individuals with an urgent or emergent need for mental health, intellectual or developmental disabilities, or substance abuse services.

(2) Facility-based crisis center. – A 24-hour residential facility licensed under 10A NCAC 27G .5000 to provide facility-based crisis services as described in 10A NCAC 27G .5001.

(3) Secretary. – The Secretary of the North Carolina Department of Health and Human Services.

SECTION 12F.4.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for community services for the 2015-2016 fiscal year, the Division shall use two million dollars ($2,000,000) in nonrecurring funds to accomplish the following:

(1) To increase the number of co-located or operationally linked behavioral health urgent care centers and facility-based crisis centers.

(2) To increase the number of facility-based crisis centers designated by the Secretary as facilities for the custody and treatment of involuntary clients pursuant to G.S. 122C-252 and 10A NCAC 26C .0101. The Department shall give priority to areas of the State experiencing a shortage of these types of facilities.

(3) To provide reimbursement for services provided by facility-based crisis centers.

(4) To establish facility-based crisis centers for children and adolescents.

BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE MONITORING

SECTION 12F.5.(a) The Department of Health and Human Services shall require local management entities, including local management entities that have been approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical integration activities with Community Care of North Carolina (CCNC) through Total Care, a collaborative initiative designed to improve and minimize the cost of care for patients who suffer from comorbid mental health or substance abuse and primary care or other chronic conditions.

SECTION 12F.5.(b) The Department shall ensure that all LME/MCOs continue to submit claims data, including to the extent practical, retrospective claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics Center and to the Medicaid Management Information System. Upon receipt of this claims data, CCNC shall provide access to clinical data and care management information within the CCNC Informatics Center to LME/MCOs and authorized behavioral health providers to support (i) treatment, quality assessment, and improvement activities or (ii) coordination of appropriate and effective patient care, treatment, or habilitation.

SECTION 12F.5.(c) The Department, in consultation with CCNC and the LME/MCOs, shall develop quality and performance statistics on the status of mental health, developmental disabilities, and substance abuse services, including, but not limited to, variations in total cost of care, clinical outcomes, and access to and utilization of services.

SECTION 12F.5.(d) The Department shall, within available appropriations and as deemed necessary by the Department, expand or alter existing contracts by mutual agreement of all parties to the contract in order to implement the provisions of this section.

SECTION 12F.5.(e) By no later than March 1, 2016, and semiannually thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the progress, outcomes, and savings associated with the implementation of clinical integration activities with CCNC pursuant to this section.

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.6. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2015-2016 fiscal year, the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) shall be used exclusively to support traumatic brain injury (TBI) services as follows:

(1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars ($359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or other appropriate service providers.

(2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars ($796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.

(3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars ($1,216,934) shall be used to support requests submitted by individual consumers for assistance with residential support services, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity and primary care physician.

ESTABLISHMENT OF BEHAVIORAL HEALTH PARTNERSHIP PILOT PROGRAM

SECTION 12F.7.(a) It is the intent of the General Assembly to increase inpatient bed capacity for short-term care of individuals experiencing an acute mental health, substance abuse, or developmental disability crisis. Toward that end and subject to the availability of funds deposited into the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and appropriated pursuant to subsection (e) of this section, the Department of Health and Human Services (Department) shall conduct a three-year pilot program to assist rural hospitals in the conversion of existing, unused acute care beds into licensed, short-term inpatient behavioral health beds. The Secretary shall select rural hospitals located in three different regions of the State that are currently participating in the statewide telepsychiatry program established under G.S. 143B-139.4B to participate in the pilot program. The maximum number of beds that may be converted into short-term inpatient behavioral health beds in each region is 50. At least one of the regions selected to participate in the pilot program shall be located in a rural area surrounding Wake County. Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each selected rural hospital shall be allowed to convert unused acute care beds into licensed, inpatient psychiatric or substance abuse beds without undergoing certificate of need review by the Division of Health Service Regulation. All converted beds shall be subject to existing licensure laws and requirements. As a condition of participating in the pilot program, each selected rural hospital shall reserve at least fifty percent (50%) of the beds converted under the pilot program for (i) purchase by the Department under the State-administered three-way contract and (ii) referrals by local management entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients.

SECTION 12F.7.(b) At least once every six months, the Department shall conduct monitoring visits of the rural hospitals participating in the pilot program and shall also be responsible for investigating all complaints related to the pilot program. Each rural hospital participating in the pilot program shall provide a monthly report to the Department on the number of individuals receiving short-term, inpatient psychiatric, substance abuse, or developmental disability services under the pilot program and the average length of stay of individuals receiving these behavioral health services under the pilot program. The Department shall have the authority to suspend or terminate the pilot program at any time due to noncompliance with applicable regulatory requirements that has resulted in serious harm to individuals receiving behavioral health services under the pilot program or when there is a substantial risk that serious harm will occur to individuals receiving behavioral health services under the pilot program.

SECTION 12F.7.(c) The Department of Health and Human Services shall report on the status of the pilot program at least once each year to the Program Evaluation Division and the Fiscal Research Division. The report shall include at a minimum all of the following:

(1) The number of beds converted into licensed, inpatient psychiatric beds in each region, broken down by hospital.

(2) The number of beds or bed days purchased at each participating hospital by the Department under the State-administered three-way contract.

(3) The number of referrals to participating hospitals by the LME/MCOs.

(4) The number and age of the individuals receiving short-term, inpatient psychiatric, substance abuse, or developmental disability services under the pilot program.

(5) Objective, measurable outcomes of the individuals served through this pilot program.

SECTION 12F.7.(d) The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2017-2018 Work Plan for the Program Evaluation Division of the General Assembly a comprehensive evaluation of the pilot program authorized in subsection (a) of this section. The Program Evaluation Division shall submit its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division no later than November 1, 2018.

SECTION 12F.7.(e) Notwithstanding G.S. 146-30 or any other provision of law to the contrary, the net proceeds of any sale of the State-owned property encompassing the Dorothea Dix Hospital campus shall be deposited into the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund). Notwithstanding G.S. 143C-9-2 or any other provision of law to the contrary, the sum of up to twenty-five million dollars ($25,000,000) is hereby appropriated from the Trust Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substances Abuse Services, for the 2015-2016 fiscal year to pay for any renovation or building costs associated with converting existing acute care beds into licensed, short-term inpatient behavioral health beds designated for voluntarily and involuntarily committed patients in the rural hospitals selected to participate in the pilot program authorized under subsection (a) of this section. The Department shall not use these funds for any purpose other than as outlined in this section and shall not use these funds to supplement or supplant other State, local, or federal funds appropriated or allocated to the Department.

SECTION 12F.7.(f) The pilot program authorized under subsection (a) of this section expires three years from the date on which it commences.

SECTION 12F.7.(g) The balance of the proceeds of the sale of Dorothea Dix Hospital remaining after the appropriation under subsection (e) of this section shall remain in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund) until appropriated by the General Assembly. The Department shall report its recommendations for using the remaining Dix proceeds to increase the availability of community-based behavioral health treatment and services statewide to the chairs of the House of Representatives Appropriations Committee on Health and Human Services and Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and Fiscal Research by February 1, 2016.

COMMUNITY PARAMEDIC MOBILE CRISIS MANAGEMENT PILOT PROGRAM

SECTION 12F.8.(a) Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars ($225,000) for fiscal year 2015-2016 shall be used to continue the Department's community paramedic mobile crisis management program to divert behavioral health consumers from emergency departments by implementing a pilot of the thirteen programs across the State.

SECTION 12F.8.(b) The Department shall develop an evaluation plan for the community paramedic mobile crisis management pilot program based on the U.S. Department of Health and Human Services, Health Resources and Services Administration Office of Rural Health Policy's, Community Paramedicine Evaluation Tool, published in March 2012.

SECTION 12F.8.(c) The Department shall submit a report to the Senate Appropriations Committee on Health and Human Services, House Appropriations, Health and Human Services, and the Fiscal Research Division by June 1, 2016, on the progress of the project and the Department's evaluation plan.

SECTION 12F.8.(d) The Department of Health and Human Services shall submit a final report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2016. At a minimum, the final report shall include the following:

(1) An updated version of the evaluation plan required by subsection (b) of this section.
(2) An estimate of the cost to expand the program incrementally.
(3) An estimate of any potential savings of State funds associated with expansion of the program.
(4) If expansion of the program is recommended, a time line for expanding the program.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.1.(a) Section 12G.4(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 12G.4.(a)** For the period commencing on the effective date of this section, and ending ~~June 30, 2016,~~June 30, 2017, and notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. This prohibition does not apply to companion and sitter services and shall not restrict the Department from doing any of the following:

(1) Issuing a license to a certified home health agency as defined in G.S. 131E-176(12) that intends to offer in-home aide services.
(2) Issuing a license to an agency that needs a new license for an existing home care agency being acquired.
(3) Issuing a license for a new home care agency in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to care is necessary in that area."

SECTION 12G.1.(b) This section is effective when this act becomes law.

MORATORIUM ON SPECIAL CARE UNIT LICENSES

SECTION 12G.2.(a) Section 12G.1(a) of S.L. 2013-360, as amended by Section 12G.5 of S.L. 2014-100, reads as rewritten:

"**SECTION 12G.1.(a)** For the period beginning July 31, 2013, and ending ~~June 30, 2016,~~June 30, 2017, the Department of Health and Human Services, Division of Health Service Regulation (Department), shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the following:

(1) Issuing a license to a facility that is acquiring an existing special care unit.
(2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that area during the moratorium imposed by this section.

(3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.

(4) Issuing a license to a facility that was in possession of a certificate of need as of July 31, 2013, that included authorization to operate special care unit beds."

SECTION 12G.2.(b) This section is effective when this act becomes law.

LICENSURE OF OVERNIGHT RESPITE FACILITIES

SECTION 12G.3.(a) Article 1 of Chapter 131D of the General Statutes is amended by adding a new section to read:

"**§ 131D-6.1. Licensure to offer overnight respite; rules; enforcement.**

(a) As used in this section, "overnight respite services" means the provision of group care and supervision in a place other than their usual place of abode on a 24-hour basis to adults who may be physically or mentally disabled and includes services provided by the following:

(1) Any facility certified to provide adult day care services pursuant to G.S. 131D-6, or adult day health services pursuant to 10A NCAC 06S, or both.

(2) Any adult care home or family care home licensed under this Article.

(b) Any facility described under subsection (a) of this section may apply to the Department for licensure to offer a program of overnight respite services. The Department shall annually license facilities providing overnight respite services under rules adopted by the Department pursuant to subsection (c) of this section. As part of the licensure process, the Division of Health Service Regulation shall inspect the construction projects associated with, and the operations of, each facility providing overnight respite services for compliance with the rules adopted by the Department pursuant to subsection (c) of this section.

(c) The Department shall adopt rules governing the licensure of facilities providing overnight respite in accordance with this section. The Department shall seek input from stakeholders before proposing rules for adoption as required by this subsection. The rules shall limit the provision of 24-hour care for each adult to (i) not more than 14 consecutive calendar days, and not more than 60 total calendar days, during a 365-day period or (ii) the amount of respite allowed under the North Carolina Innovations waiver or Community Alternatives Program for Disabled Adults (CAP/DA) waiver, as applicable. The rules shall include minimum requirements to ensure the health and safety of adult day care overnight respite participants. These requirements shall address all of the following:

(1) Program management.

(2) Staffing.

(3) Building specifications.

(4) Fire safety.

(5) Sanitation.

(6) Nutrition.

(7) Enrollment.

(8) Bed capacity limitations, which shall not exceed six beds in each adult day care program.

(9) Medication management.

(10) Program activities.

(d) The Division of Health Service Regulation shall have the authority to enforce the rules adopted by the Department under subsection (c) of this section and shall be responsible for the investigation of complaints pertaining to facilities licensed to provide overnight respite services.

(e) Each facility that is licensed to provide a program of overnight respite services under this section shall periodically report the number of individuals served and the average daily census to the Division of Health Service Regulation on a schedule determined by the Division.

(f) The Division of Health Service Regulation shall have the authority to suspend or revoke a facility's license to provide a program of overnight respite services at any time due to noncompliance with regulatory requirements that has resulted in death or serious physical harm, or when there is a substantial risk that death or serious physical harm will occur.

(g) Nothing in this section shall be construed to prevent a facility licensed to provide overnight respite services under this section from receiving State funds or participating in any government insurance plan, including the Medicaid program, to the extent authorized or permitted under applicable State or federal law.

(h) The Department shall charge each facility seeking to provide overnight respite services a nonrefundable initial licensure fee of three hundred fifty dollars ($350.00) and a nonrefundable renewal licensure fee in the amount of three hundred fifteen dollars ($315.00)."

SECTION 12G.3.(b) G.S. 131E-267(g) reads as rewritten:

"(g) The fee imposed for the review of the following residential construction projects is:

Residential Project	**Project Fee**
Family Care Homes	$225.00 flat fee
ICF/MR Group Homes	$350.00 flat fee
Group Homes: 1-3 beds	$125.00 flat fee
Group Homes: 4-6 beds	$225.00 flat fee
Group Homes: 7-9 beds	$275.00 flat fee
Adult Day Care Overnight Respite Facility	$225.00 flat fee
Adult Day Health Overnight Respite Facility	$225.00 flat fee
Other residential:	
More than 9 beds	$275.00 plus $0.15 per square foot of project space."

SECTION 12G.3.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Health Service Regulation, the sum of eighty-two thousand six hundred six dollars ($82,606) for the 2015-2016 fiscal year and the sum of eighty-eight thousand thirty-three dollars ($88,033) for the 2016-2017 fiscal year shall be used to create one full-time equivalent Nursing Consultant position and one full-time equivalent Engineer/Architect position within the Division dedicated to inspecting adult day care, adult day health, adult care home, and family care home facilities seeking licensure to provide overnight respite services in accordance with G.S. 131D-6.1, as enacted by subsection (a) of this section.

SECTION 12G.3.(d) The Department of Health and Human Services, Division of Aging and Adult Services, shall add adult day care overnight respite programs as a service category under the Home and Community Care Block Grant. Counties may elect to use an adult day care, adult day health, adult care home, or family care home facility licensed under G.S. 131D-6.1, as enacted by subsection (a) of this section, to provide overnight respite services to caregivers of older adults from funds received under the Home and Community Care Block Grant.

SECTION 12G.3.(e) The Department of Health and Human Services, Division of Medical Assistance, shall take any and all action necessary to amend the North Carolina Innovations waiver and the North Carolina Community Alternatives Program for Disabled Adults (CAP/DA) waiver for the purpose of allowing facilities licensed to provide adult day health overnight respite services under G.S. 131D-6.1, as enacted by subsection (a) of this section, to become allowable providers of overnight respite under each waiver.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

REINSTATE MEDICAID ANNUAL REPORT

SECTION 12H.1. The Department of Health and Human Services, Division of Medical Assistance, shall reinstate the publication of the Medicaid Annual Report and accompanying tables, which was discontinued after 2008. The Division shall publish the report and tables on its Web site and shall not publish copies in print.

MEDICAID ELIGIBILITY

SECTION 12H.2.(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	$ 5,208	$ 2,904
2	6,828	3,804
3	8,004	4,404
4	8,928	4,800
5	9,888	5,196
6	10,812	5,604
7	11,700	6,000
8	12,432	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 12H.2.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

(1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

(2) Pregnant women with incomes equal to or less than one hundred ninety-six percent (196%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

(3) Infants under the age of one with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.

(4) Children aged one through five with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.

(5) Children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.

(6) Workers with disabilities described in G.S. 108A-66A with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

The Department of Health and Human Services, Division of Medical Assistance, shall also provide family planning services to men and women of childbearing age with family incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty guidelines and without regard to resources.

SECTION 12H.2.(c) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs, regardless of the adoptive family's income.

SECTION 12H.2.(d) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. § 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

SECTION 12H.2.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

SECTION 12H.2.(f) G.S. 108A-70.21 reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

(a) Eligibility. – The Department may enroll eligible children based on availability of funds. Following are eligibility and other requirements for participation in the Program:

(1) Children must:

a. Be between the ages of 6 through 18;

b. Be ineligible for Medicaid, Medicare, or other federal government-sponsored health insurance;

c. Be uninsured;

d. Be in a family whose family income is above one hundred thirty-three percent (133%) ~~through~~ and less than or equal to two hundred eleven percent ~~(200%)~~(211%) of the federal poverty level;

e. Be a resident of this State and eligible under federal law; and

f. Have paid the Program enrollment fee required under this Part.

...

(b) Benefits. – All health benefits changes of the Program shall meet the coverage requirements set forth in this subsection. Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under North Carolina Medicaid Program except for the following:

(1) No services for long-term care.

(2) No nonemergency medical transportation.

(3) No EPSDT.

(4) Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

In addition to the benefits provided under the North Carolina Medicaid Program, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

(1), (1a) Repealed by Session Laws 2011-145, s. 10.41(b), effective July 1, 2011.

(2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. NCHC recipients must obtain optical services, supplies, and solutions from NCHC enrolled, licensed or certified ophthalmologists, optometrists, or opticians. In accordance with G.S. 148-134, NCHC providers must order complete eyeglasses, eyeglass lenses, and ophthalmic

frames through Nash Optical Plant. Eyeglass lenses are limited to NCHC-approved single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to NCHC-approved frames made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval. Requests for medically necessary complete eyeglasses, eyeglass lenses, and ophthalmic frames outside of the NCHC-approved selection require prior approval. Requests for medically necessary fabrication of complete eyeglasses or eyeglass lenses outside of Nash Optical Plant require prior approval. Upon prior approval refractions may be covered more often than once every 12 months.

(3) Under the North Carolina Health Choice Program for Children, the co-payment for nonemergency visits to the emergency room for children whose family income is ~~at or below~~ less than or equal to one hundred ~~fifty~~fifty-nine percent ~~(150%)~~(159%) of the federal poverty level is ten dollars ($10.00). The co-payment for children whose family income is ~~between~~ above one hundred ~~fifty one~~ fifty-nine percent ~~(151%)~~(159%) and less than or equal to two hundred eleven percent ~~(200%)~~(211%) of the federal poverty level is twenty-five dollars ($25.00).

...

(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program coverage for enrollees whose family income is ~~at or below~~less than or equal to one hundred ~~fifty~~ fifty-nine percent ~~(150%)~~(159%) of the federal poverty level. The enrollment fee for Program coverage for enrollees whose family income is above one hundred ~~fifty~~ fifty-nine percent ~~(150%)~~(159%) ~~through~~and less than or equal to two hundred eleven percent ~~(200%)~~(211%) of the federal poverty level shall be fifty dollars ($50.00) per year per child with a maximum annual enrollment fee of one hundred dollars ($100.00) for two or more children. The enrollment fee shall be collected by the county department of social services and retained to cover the cost of determining eligibility for services under the Program. County departments of social services shall establish procedures for the collection of enrollment fees.

(d) Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing charges for families covered under the Program whose family income is ~~at or below~~less than or equal to one hundred ~~fifty~~fifty-nine percent ~~(150%)~~(159%) of the federal poverty level, except that fees for outpatient prescription drugs are applicable and shall be one dollar ($1.00) for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is three dollars ($3.00). Families covered under the Program whose family income is above one hundred ~~fifty~~ fifty-nine percent ~~(150%)~~(159%) of the federal poverty level shall be responsible for copayments to providers as follows:

(1) Five dollars ($5.00) per child for each visit to a provider, except that there shall be no copayment required for well-baby, well-child, or age-appropriate immunization services;

(2) Five dollars ($5.00) per child for each outpatient hospital visit;

(3) A one dollar ($1.00) fee for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication.

The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is ten dollars ($10.00).

(4) Twenty dollars ($20.00) for each emergency room visit unless:

a. The child is admitted to the hospital, or

b. No other reasonable care was available as determined by the Department.

…"

LME/MCO OUT-OF-NETWORK AGREEMENTS

SECTION 12H.3.(a) The Department of Health and Human Services (Department) shall ensure that local management entities/managed care organizations (LME/MCOs) utilize an out-of-network agreement that contains standardized elements developed in consultation with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a single provider of behavioral health or intellectual/developmental disability (IDD) services and an LME/MCO to ensure access to care in accordance with 42 C.F.R. 438.206(b)(4), reduce administrative burden on the provider, and comply with all requirements of State and federal laws and regulations. Beginning July 1, 2015, LME/MCOs shall use the out-of-network agreement in lieu of a comprehensive provider contract when all of the following conditions are met:

(1) The services requested are medically necessary and cannot be provided by an in-network provider.

(2) The behavioral health or IDD provider's site of service delivery is located outside of the geographical catchment area of the LME/MCO, and the LME/MCO is not accepting applications or the provider does not wish to apply for membership in the LME/MCO closed network.

(3) The behavioral health or IDD provider is not excluded from participation in the Medicaid program, the NC Health Choice program or other State or federal health care program.

(4) The behavioral health or IDD provider is serving no more than two enrollees of the LME/MCO, unless the agreement is for inpatient hospitalization, in which case the LME/MCO may, but shall not be required to, enter into more than five such out-of-network agreements with a single hospital or health system in any 12-month period.

SECTION 12H.3.(b) Medicaid providers providing services pursuant to an out-of-network agreement shall be considered a network provider for purposes of Chapter 108D of the General Statutes only as it relates to enrollee grievances and appeals.

PROVIDER APPLICATION AND RECREDENTIALING FEE

SECTION 12H.4. The Department of Health and Human Services, Division of Medical Assistance, shall charge an application fee of one hundred dollars ($100.00), and the amount federally required, to each provider enrolling in the Medicaid Program for the first time. The fee shall be charged to all providers at recredentialing every three years.

REIMBURSEMENT FOR IMMUNIZING PHARMACIST SERVICES

SECTION 12H.5.(a) Effective January 1, 2016, the Department of Health and Human Services, Division of Medical Assistance (Department), shall provide Medicaid and NC Health Choice reimbursement for the administration of covered vaccinations or immunizations provided by immunizing pharmacists in accordance with G.S. 90-85.15B.

SECTION 12H.5.(b) In order to implement the requirements of subsection (a) of this section, the Department shall enroll immunizing pharmacists as providers.

SECTION 12H.5.(c) The Department shall submit any State plan amendments necessary to accomplish the requirements of this section.

TRAUMATIC BRAIN INJURY MEDICAID WAIVER

SECTION 12H.6.(a) The Department of Health and Human Services, Division of Medical Assistance and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Department), shall submit to the Centers for Medicare and Medicaid Services a request for approval of the 1915(c) waiver for individuals with traumatic brain injury (TBI) that the Department designed pursuant to Section 12H.6 of S.L. 2014-100, which the Joint Legislative Oversight Committee on Health and Human Services recommended as part of its December 2014 report to the General Assembly, and which is further described in the Department's February 1, 2015, report to the General Assembly.

SECTION 12H.6.(b) The Department shall report to the Joint Legislative Oversight Committee on Health and Human Services on the status of the Medicaid TBI waiver request and the plan for implementation no later than December 1, 2015. The Department shall submit an updated report by March 1, 2016. Each report shall include the following:

(1) The number of individuals who are being served under the waiver and the total number of individuals expected to be served.

(2) The expenditures to date and a forecast of future expenditures.

(3) Any recommendations regarding expansion of the waiver.

SECTION 12H.6.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, two million dollars ($2,000,000) for fiscal year 2015-2016 and two million dollars ($2,000,000) for fiscal year 2016-2017 shall be used to fund the Medicaid TBI waiver.

ASSESSMENTS

SECTION 12H.7. G.S. 108A-122(b) reads as rewritten:

"(b) Allowable Cost. – An assessment paid under this Article may be included as allowable costs of a hospital for purposes of any applicable Medicaid reimbursement ~~formula.~~ formula; assessments paid under this Article shall be excluded from cost settlement. An assessment imposed under this Article may not be added as a surtax or assessment on a patient's bill."

ELIMINATE 2% FUNDING OF LME/MCO RISK RESERVE

SECTION 12H.8. Effective July 1, 2016, the Department of Health and Human Services, Division of Medical Assistance, shall discontinue paying the two percent (2%) added to the administrative payments to local management entities/managed care organizations (LME/MCOs), which have funded the LME/MCOs' contractually required risk reserve accounts.

ADMINISTRATIVE HEARINGS FUNDING

SECTION 12H.9. The Department of Health and Human Services (Department) shall transfer the sum of one million dollars ($1,000,000) for the 2015-2016 fiscal year and the sum of one million dollars ($1,000,000) for the 2016-2017 fiscal year to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in

accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.10.(a) Receivables reserved at the end of the 2015-2016 and 2016-2017 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 12H.10.(b) For the 2015-2016 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars ($139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2016-2017 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars ($139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

MEDICAID SPECIAL FUND TRANSFER

SECTION 12H.11. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2015-2016 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2016-2017 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

MISCELLANEOUS MEDICAID PROVISIONS

SECTION 12H.12.(a) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 12H.12.(b) Cost Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 12H.12.(c) Medicaid Identification Cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

NONEMERGENCY MEDICAL TRANSPORTATION

SECTION 12H.13. The Department of Health and Human Services, Division of Medical Assistance, shall develop and issue a request for proposal for a contract beginning January 1, 2016, for the statewide management of Medicaid nonemergency medical transportation services.

MISCELLANEOUS HEALTH CHOICE PROVISIONS

SECTION 12H.14.(a) G.S. 108A-70.18(4a) is repealed.

SECTION 12H.14.(b) G.S. 108A-70.20 reads as rewritten:

"**§ 108A-70.20. Program established.**

The Health Insurance Program for Children is established. The Program shall be known as North Carolina Health Choice for Children, and it shall be administered by the Department of Health and Human Services in accordance with this Part and as required under Title XXI and related federal rules and regulations. Administration of ~~Program benefits and~~ claims processing shall be as ~~provided under Part 5 of Article 3 of Chapter 135 of the General Statutes.~~described in 42 C.F.R. § 447.45(d)(1)."

SECTION 12H.14.(c) Subsections (g) and (h) of G.S. 108A-70.21 are repealed.

SECTION 12H.14.(d) G.S. 108A-70.21(i) reads as rewritten:

"(i) ~~No Lifetime Maximum Benefit Limit.~~ Benefits provided to an enrollee in the Program ~~shall not be subject to a maximum lifetime limit.~~may be subject to lifetime maximum limits set forth in Medicaid and NC Health Choice medical coverage policies adopted pursuant to G.S. 108A-54.2."

SECTION 12H.14.(e) G.S. 108A-70.27(c) is repealed.

AUTHORIZE DHHS TO ADMINISTER MEDICAID AND HEALTH CHOICE WITHIN THEIR ENACTED BUDGETS

SECTION 12H.15.(a) Notwithstanding G.S. 108A-54.1A, 108A-54.2(c), and 108A-70.25, and except as specifically set forth in this act or other State law, for the 2015-2017 fiscal biennium, the Department of Health and Human Services (Department) is fully authorized to make any changes or take any actions necessary to administer and operate the Medicaid and Health Choice programs provided that the total expenditures, net of agency receipts, for the Medicaid program do not exceed three billion seven hundred seventy million fifty-two thousand seven hundred seventy-eight dollars ($3,770,052,778) for fiscal year 2015-2016 and three billion nine hundred thirty-three million eight hundred ninety-six thousand eight hundred eighty-eight dollars ($3,933,896,888) for fiscal year 2016-2017, and for the NC Health Choice program do not exceed fourteen million three hundred ninety-seven thousand five hundred seventy-nine dollars ($14,397,579) for fiscal year 2015-2016 and two million one hundred five thousand forty-two dollars ($2,105,042) for fiscal year 2016-2017.

SECTION 12H.15.(b) Notwithstanding any other provision of law, neither the Director of the Budget nor any other State official, officer, or agency shall authorize any adjustment, drawdown, or transfer unearned or borrowed receipts to implement this section or expend any other funds to implement this section, if doing so would impose, increase, or continue a financial obligation in the 2015-2016 fiscal year or any subsequent fiscal year.

SECTION 12H.15.(c) Chapter 120 of the General Statutes is amended by adding the following new Article to read:

"Article 23B.

"Joint Legislative Oversight Committee on Medicaid.

"**§ 120-209. Creation and membership of Joint Legislative Oversight Committee on Medicaid.**

(a) The Joint Legislative Oversight Committee on Medicaid is established. The Committee consists of 14 members as follows:

(1) Seven members of the Senate appointed by the President Pro Tempore of the Senate, at least two of whom are members of the minority party.

(2) Seven members of the House of Representatives appointed by the Speaker of the House of Representatives, at least two of whom are members of the minority party.

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on

the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"**§ 120-209.1. Purpose and powers of Committee.**

(a) The Joint Legislative Oversight Committee on Medicaid shall examine budgeting, financing, administrative, outcomes, and operational issues related to the Medicaid and NC Health Choice programs and to the Department of Health and Human Services.

(b) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee.

"**§ 120-209.2. Organization of Committee.**

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Medicaid. The Committee shall meet upon the joint call of the cochairs and may meet while the General Assembly is in regular session.

(b) A quorum of the Committee is eight members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses, as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The Committee cochairs may establish subcommittees for the purpose of examining issues relating to its Committee charge.

"**§ 120-209.3. Additional powers.**

The Joint Legislative Oversight Committee on Medicaid, while in discharge of official duties, shall have access to any paper or document, and may compel the attendance of any State official or employee before the Committee or secure any evidence under G.S. 120-19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a joint committee of the General Assembly.

"**§ 120-209.4. Reports to Committee.**

Whenever Medicaid or NC Health Choice is required by law to report to the General Assembly or to any of its permanent, study, or oversight committees or subcommittees on matters affecting the Department, the Department shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on Medicaid."

SECTION 12H.15.(d) Beginning July 1, 2015, and quarterly thereafter, the Department shall submit a report on the outcomes, operations, and budget of the Medicaid and NC Health Choice programs to the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management.

SECTION 12H.15.(e) On January 1 of each year, beginning in 2016, the Department shall submit a report to the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management on the Medicaid and NC Health Choice programs that includes at least the following information:

(1) A detailed four-year forecast of expected changes to enrollment growth and enrollment mix.

(2) What program changes will be made by the Department in order to stay within the existing budget for the programs based on the next fiscal year's forecasted enrollment growth and enrollment mix.

(3) The cost to maintain the current level of services based on the next fiscal year's forecasted enrollment growth and enrollment mix.

SECTION 12H.15.(f) Notwithstanding G.S. 108A-54.1A, when the Department gives notice to the Native Americans of a State plan amendment, waiver, or waiver amendment, as required under federal law, the Department shall post the State plan amendment, waiver, or waiver amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management of the posting. The Department shall maintain on its Web site the most current version of all State plan amendments, waivers, and waiver amendments posted as required by this subsection at least until the plan has been approved, rejected, or withdrawn.

SECTION 12H.15.(g) Prior to submitting any State plan amendment, waiver, or waiver amendment related to Medicaid reform to the Centers for Medicare and Medicaid Services, the Department shall submit a detailed report of the reform plan to the Joint Legislative Commission on Governmental Operations (Commission) and consult with the Commission. If the Commission does not hold a meeting to hear the consultation within 90 days of receiving the submission of the detailed report, the consultation requirement is satisfied.

1915(C) INNOVATIONS WAIVER SERVICES ASSESSMENT

SECTION 12H.16.(a) If (i) federal law or regulation is amended to allow the imposition of assessments on 1915(c) North Carolina Innovations Waiver (formerly Community Alternatives Program for Persons with Mental Retardation/Developmental Disabilities (CAP-MR/DD)) services or such assessments are otherwise allowed by the Centers for Medicare & Medicaid Services (CMS) through waivers and (ii) the providers of such services are willing to participate in an assessment program, then the Department of Health and Human Services, Division of Medical Assistance, may implement a Medicaid assessment program for such services up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from such an assessment program to support Medicaid expenditures. The Department shall amend contracts with local management entities that have been approved to operate as managed care organizations (LME/MCOs) to ensure that any assessment funds not retained by the Department are used to increase LME/MCO capitation rates and that the additional amounts are passed along to the providers of Innovations Waiver services through increased reimbursement rates.

SECTION 12H.16.(b) The authorization provided to the Department under subsection (a) of this section to impose a new assessment program on Innovations Waiver services shall continue to exist until July 1, 2017. If an assessment program has not been established by July 1, 2017, then this section expires.

SUBPART XII-I. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12I.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY	FY2015-2016	FY2016-2017

FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$ 57,167,454	$ 57,167,454
02.	Work First County Block Grants	80,093,566	78,073,437
03.	Work First Electing Counties	2,378,213	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	2,026,877	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06.	Child Welfare Collaborative	632,416	632,416
07.	Boys and Girls Clubs	2,427,975	2,427,975
08.	Reserve for Statewide Early Education And Family Support Programs – Plan and Statewide Proposal to Improve Children's Health	0	2,723,306

Division of Child Development and Early Education

09.	Subsidized Child Care Program	34,584,319	34,584,319
10.	Swap Child Care Subsidy	6,352,644	6,352,644
11.	Pre-K Swap Out	11,301,722	6,806,397
12.	Smart Start	5,527,584	5,527,584

Division of Public Health

13.	Teen Pregnancy Prevention Initiatives	2,500,000	2,500,000

DHHS Administration

14.	Division of Social Services	2,482,260	2,482,260
15.	Office of the Secretary	34,042	34,042
16.	Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640

Transfers to Other Block Grants

Division of Child Development and Early Education

17.	Transfer to the Child Care and Development Fund	71,773,001	71,773,001

Division of Social Services

18.	Transfer to Social Services Block Grant for Child Protective Services – Training	1,300,000	1,300,000
19.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
20.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	4,148,001
21.	Transfer to Social Services Block Grant – Foster Care Services	1,385,152	1,385,152

TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$303,306,543**	**$ 300,982,109**

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

Local Program Expenditures

Division of Child Development and Early Education

01.	Subsidized Child Care	29,033,340	28,600,000
02.	Subsidized Child Care Swap Out	4,547,023	0

TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$33,580,363**	**$ 28,600,000**

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services (Transfer from TANF $4,148,001)	$ 27,335,315	$ 27,108,324
02.	Child Protective Services (Transfer from TANF)	5,040,000	5,040,000

03.	State In-Home Services Fund	2,035,075	1,943,950
04.	Adult Protective Services	1,245,363	1,245,363
05.	State Adult Day Care Fund	2,085,209	1,994,084
06.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07.	Special Children Adoption Incentive Fund	462,600	462,600
08.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,788,014	1,696,888
10.	Child Advocacy Centers	375,000	375,000
11.	Guardianship	4,235,704	4,035,704
12.	Foster Care Services (Transfer from TANF)	1,385,152	1,385,152
	Division of Central Management and Support		
13.	DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
14.	NC FAST – Operations and Maintenance	712,324	939,315
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
15.	Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,030,730	4,030,730
DHHS Program Expenditures			
	Division of Services for the Blind		
16.	Independent Living Program	3,361,323	3,361,323
	Division of Health Service Regulation		
17.	Adult Care Licensure Program	381,087	381,087

18.	Mental Health Licensure and Certification Program	190,284	190,284
DHHS Administration			
19.	Division of Aging and Adult Services	577,745	577,745
20.	Division of Social Services	559,109	559,109
21.	Office of the Secretary/Controller's Office	127,731	127,731
22.	Division of Child Development and Early Education	13,878	13,878
23.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
24.	Division of Health Service Regulation	118,946	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT		**$ 61,804,403**	**$ 61,331,027**
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT			
Local Program Expenditures			
Division of Social Services			
01.	Low-Income Energy Assistance Program (LIEAP)	$ 40,244,534	$ 39,303,674
02.	Crisis Intervention Program (CIP)	40,244,534	39,303,674
Local Administration			
Division of Social Services			
03.	County DSS Administration	6,454,961	6,454,961
DHHS Administration			
04.	Office of the Secretary/DIRM	412,488	412,488
05.	Office of the Secretary/Controller's Office	18,378	18,378
06.	NC FAST Development	1,075,319	3,381,373
Transfers to Other State Agencies			
Department of Environment and Natural Resources (DENR)			

07.	Weatherization Program	11,847,017	11,570,050
08.	Heating Air Repair and Replacement Program (HARRP)	6,303,514	6,156,147
09.	Local Residential Energy Efficiency Service Providers – Weatherization	475,046	475,046
10.	Local Residential Energy Efficiency Service Providers – HARRP	252,761	252,761
11.	DENR – Weatherization Administration	475,046	475,046
12.	DENR – HARRP Administration	252,760	252,760
	Department of Administration		
13.	N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		**$ 108,144,094**	**$ 108,144,094**

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures			
	Division of Child Development and Early Education		
01.	Child Care Services (Smart Start $7,000,000)	152,370,856	152,370,856
02.	Electronic Tracking System	801,240	401,492
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	26,019,987	26,019,987
DHHS Administration			
	Division of Child Development and Early Education		
05.	DCDEE Administrative Expenses	9,049,505	9,049,505
	Division of Social Services		
06.	Local Subsidized Child Care Services Support	15,930,279	15,930,279
07.	NC FAST Development	186,404	586,152

Division of Central Administration

08.	DHHS Central Administration – DIRM Technical Services	775,000	775,000
09.	Central Regional Maintenance	202,000	202,000
10.	Child Care Health Consultation Contracts	62,205	62,205

TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT **$ 277,170,477** **$ 277,170,477**

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Mental Health Services – Child	3,619,833	3,619,833
02.	Administration	200,000	200,000
03.	Mental Health Services – Adult/Child	11,755,152	11,755,152
04.	Crisis Solutions Initiative – Critical Time Intervention	750,000	750,000
05.	Mental Health Services – First Psychotic Symptom Treatment	643,491	643,491

TOTAL MENTAL HEALTH SERVICES BLOCK GRANT **$ 16,968,476** **$ 16,968,476**

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

01.	Substance Abuse – HIV and IV Drug	3,919,723	3,919,723
02.	Substance Abuse Prevention	8,669,284	8,669,284
03.	Substance Abuse Services – Treatment for Children/Adults	29,519,883	29,519,883
04.	Crisis Solutions Initiatives – Walk-In Crisis Centers	420,000	420,000
05.	Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,085,000	1,085,000

06.	Crisis Solutions Initiatives – Community Paramedic Mobile Crisis Management	60,000	60,000
07.	Crisis Solutions Initiatives – Innovative Technologies	41,000	41,000
08.	Crisis Solutions Initiatives – Veteran's Crisis	250,000	250,000
09.	Administration	454,000	454,000
	Division of Public Health		
10.	HIV Testing for Individuals in Substance Abuse Treatment	765,949	765,949
	TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	**$ 45,184,839**	**$ 45,184,839**
	MATERNAL AND CHILD HEALTH BLOCK GRANT		
	Local Program Expenditures		
	Division of Public Health		
01.	Children's Health Services (Safe Sleep Campaign $45,000; Prevent Blindness $560,837)	$ 7,574,703	$ 7,574,703
02.	Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; 17P Project $52,000; Nurse-Family Partnership $509,018)	7,445,148	7,445,148
03.	Oral Health	44,901	44,901
04.	Evidence-based Programs in Counties with Highest Infant Mortality Rates	650,000	650,000
	DHHS Program Expenditures		
	Division of Public Health		
05.	Children's Health Services	1,342,928	1,342,928
06.	Women's Health – Maternal Health	107,714	107,714
07.	State Center for Health Statistics	158,583	158,583
08.	Health Promotion – Injury and Violence Prevention	87,271	87,271

DHHS Administration

Division of Public Health

09.	Division of Public Health Administration	552,571	552,571
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		**$ 17,963,819**	**$ 17,963,819**

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Physical Activity and Prevention	$ 2,855,376	$ 3,250,582
02.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	173,476	173,476
03.	Community-Focused Eliminating Health Disparities Initiative Grants	2,756,855	0

DHHS Program Expenditures

Division of Public Health

04.	HIV/STD Prevention and Community Planning	145,819	145,819
05.	Oral Health Preventive Services	46,302	46,302
06.	Laboratory Services – Testing, Training, and Consultation	21,012	21,012
07.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	192,315
08.	State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
09.	Performance Improvement and Accountability	565,964	565,964
10.	Physical Activity and Nutrition	68,073	68,073
11.	State Center for Health Statistics	107,291	107,291

DHHS Administration

Division of Public Health

12.	Division of Public Health	172,820	172,820

13. Division of Public Health – Physical Activity and Nutrition Branch	1,243,899	0
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	**$ 8,548,836**	**$ 4,943,288**
COMMUNITY SERVICES BLOCK GRANT		
Local Program Expenditures		
Office of Economic Opportunity		
01. Community Action Agencies	$ 24,047,065	$ 24,047,065
02. Limited Purpose Agencies	1,335,948	1,335,948
DHHS Administration		
03. Office of Economic Opportunity	1,335,948	1,335,948
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$ 26,718,961**	**$ 26,718,961**

GENERAL PROVISIONS

SECTION 12I.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
(2) A delineation of the proposed State and local administrative expenditures.
(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
(5) A projection of current year expenditures by program or activity.
(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 12I.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated

in this section, the Department shall develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2015-2016 and 2016-2017, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star-rated facilities for four-year-old children and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 12I.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the schedule enacted for State fiscal years 2015-2016 and 2016-2017 or until a new schedule is enacted by the General Assembly.

SECTION 12I.1.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Oversight Committee on Health and Human Services for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 12I.1.(f) Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those block grants remains the same.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 12I.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for the 2015-2016 fiscal year and the sum of seventy-eight million seventy-three thousand four hundred thirty-seven dollars ($78,073,437) for the 2016-2017 fiscal year appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12I.1.(h) The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2015-2017 fiscal biennium for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2015-2016 and 2016-2017 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 12I.1.(i) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2015-2017 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 12I.1.(j) The sum of two million four hundred twenty-seven thousand nine hundred seventy-five dollars ($2,427,975) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for each year of the 2015-2017 fiscal biennium for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds, if appropriate.

SOCIAL SERVICES BLOCK GRANT

SECTION 12I.1.(k) The sum of twenty-seven million three hundred thirty-five thousand three hundred fifteen dollars ($27,335,315) for the 2015-2016 fiscal year and the sum of twenty-seven million one hundred eight thousand three hundred twenty-four dollars ($27,108,324) for the 2016-2017 fiscal year appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for county block grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12I.1.(l) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2015-2017 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

SECTION 12I.1.(m) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 12I.1.(n) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 12I.1.(o) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2015-2017 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 12I.1.(p) The sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.8 of this act for each year of the 2015-2017 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12I.1.(q) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for each year of the 2015-2017 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers, and the funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12I.1.(r) The sum of four million two hundred thirty-five thousand seven hundred four dollars ($4,235,704) for the 2015-2016 fiscal year and the sum of four million thirty-five thousand seven hundred four dollars ($4,035,704) for the 2016-2017 fiscal year appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2015-2016 and 2016-2017 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2015-2016 and 2016-2017 fiscal years.

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 12I.1.(s) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services. Additional funds received shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 12I.1.(t) The sum of forty million two hundred forty-four thousand five hundred thirty-four dollars ($40,244,534) for the 2015-2016 fiscal year and the sum of thirty-nine million three hundred three thousand six hundred seventy-four dollars ($39,303,674) for the 2016-2017 fiscal year appropriated in this section in the Low-Income Energy Assistance Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level

and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

(1) Ensure that eligible households are made aware of the available assistance with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.

(2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.

(3) Be approved by the local board of social services or human services board prior to submission.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 12I.1.(u) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12I.1.(v) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 12I.1.(w) The sum of six hundred forty-three thousand four hundred ninety-one dollars ($643,491) appropriated in this section in the Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom Treatment. The Division shall report on (i) the specific evidence-based treatment and services provided, (ii) the number of persons treated, and (iii) the measured outcomes or impact on the participants served. The Division shall report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2016.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 12I.1.(x) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium shall be allocated to the Department of Administration, Division of Veterans Affairs, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Division of Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 12I.1.(y) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 12I.1.(z) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SECTION 12I.1.(aa) The sum of six hundred fifty thousand dollars ($650,000) appropriated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2015-2017 fiscal biennium shall be used for Evidence-based Programs in Counties with Highest Infant Mortality Rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidenced-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2016.

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

COMMISSIONER OF AGRICULTURE/VEHICLE BENEFITS

SECTION 13.1. G.S. 143-341(8)(i)7a. reads as rewritten:

"7a. To adopt with the approval of the Governor and to enforce rules and to coordinate State policy regarding (i) the permanent assignment of state-owned passenger motor vehicles and (ii) the use of and reimbursement for those vehicles for the limited commuting permitted by this subdivision. For the purpose of this subdivision 7a, "state-owned passenger motor vehicle" includes any state-owned passenger motor vehicle, whether or not owned, maintained or controlled by the Department of Administration, and regardless of the source of the funds used to purchase it. Notwithstanding the provisions of G.S. 20-190 or any other provisions of law, all state-owned passenger motor vehicles are subject to the provisions of this subdivision 7a; no permanent assignment shall be made and no one shall be exempt from payment of reimbursement for commuting or from the other provisions of this subdivision 7a except as provided by this subdivision 7a. Commuting, as defined and regulated by this subdivision, is limited to those specific cases in which the Secretary has received and accepted written justification, verified by historical data. The Department shall not assign any state-owned motor vehicle that may be used for commuting other than those authorized by the procedure prescribed in this subdivision.

A State-owned passenger motor vehicle shall not be permanently assigned to an individual who is likely to drive it

on official business at a rate of less than 3,150 miles per quarter unless (i) the individual's duties are routinely related to public safety or (ii) the individual's duties are likely to expose the individual routinely to life-threatening situations. A State-owned passenger motor vehicle shall also not be permanently assigned to an agency that is likely to drive it on official business at a rate of less than 3,150 miles per quarter unless the agency can justify to the Division of Motor Fleet Management the need for permanent assignment because of the unique use of the vehicle. Each agency, other than the Department of Transportation, that has a vehicle assigned to it or has an employee to whom a vehicle is assigned shall submit a quarterly report to the Division of Motor Fleet Management on the miles driven during the quarter by the assigned vehicle. The Division of Motor Fleet Management shall review the report to verify that each motor vehicle has been driven at the minimum allowable rate. If it has not and if the department by whom the individual to which the car is assigned is employed or the agency to which the car is assigned cannot justify the lower mileage for the quarter, the permanent assignment shall be revoked immediately. The Department of Transportation shall submit an annual report to the Division of Motor Fleet Management on the miles driven during the year by vehicles assigned to the Department or to employees of the Department. If a vehicle included in this report has not been driven at least 12,600 miles during the year, the Department of Transportation shall review the reasons for the lower mileage and decide whether to terminate the assignment. The Division of Motor Fleet Management may not revoke the assignment of a vehicle to the Department of Transportation or an employee of that Department for failure to meet the minimum mileage requirement unless the Department of Transportation consents to the revocation.

Every individual who uses a State-owned passenger motor vehicle, pickup truck, or van to drive between the individual's official work station and his or her home, shall reimburse the State for these trips at a rate computed by the Department. This rate shall approximate the benefit derived from the use of the vehicle as prescribed by federal law. Reimbursement shall be for 20 days per month regardless of how many days the individual uses the vehicle to commute during the month. Reimbursement shall be made by payroll deduction. Funds derived from reimbursement on vehicles owned by the Motor Fleet Management Division shall be deposited to the credit of the Division; funds derived from reimbursements on vehicles initially purchased with appropriations from the Highway Fund and not owned by the Division shall be deposited in a Special Depository Account in the Department of Transportation, which shall revert to the Highway Fund; funds derived from reimbursement on all

other vehicles shall be deposited in a Special Depository Account in the Department of Administration which shall revert to the General Fund. Commuting, for purposes of this paragraph, does not include those individuals whose office is in their home, as determined by the Department of Administration, Division of Motor Fleet Management. Also, this paragraph does not apply to the following vehicles: (i) clearly marked police and fire vehicles, (ii) delivery trucks with seating only for the driver, (iii) flatbed trucks, (iv) cargo carriers with over a 14,000 pound capacity, (v) school and passenger buses with over 20 person capacities, (vi) ambulances, (vii) [Repealed]. (viii) bucket trucks, (ix) cranes and derricks, (x) forklifts, (xi) cement mixers, (xii) dump trucks, (xiii) garbage trucks, (xiv) specialized utility repair trucks (except vans and pickup trucks), (xv) tractors, (xvi) unmarked law-enforcement vehicles that are used in undercover work and are operated by full-time, fully sworn law-enforcement officers whose primary duties include carrying a firearm, executing search warrants, and making arrests, ~~and (xvii)~~ (xvii) any other vehicle exempted under Section 274(d) of the Internal Revenue Code of 1954, and Federal Internal Revenue Services regulations based ~~thereon.~~thereon, or (xviii) the vehicle assigned to the Commissioner of Agriculture, with respect to trips between the Commissioner's home and locations other than the Commissioner's office. The Department of Administration, Division of Motor Fleet Management, shall report quarterly to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office on individuals who use State-owned passenger motor vehicles, pickup trucks, or vans between their official work stations and their homes, who are not required to reimburse the State for these trips.

The Department of Administration shall revoke the assignment or require the Department owning the vehicle to revoke the assignment of a State-owned passenger motor vehicle, pickup truck or van to any individual who:

I. Uses the vehicle for other than official business except in accordance with the commuting rules;

II. Fails to supply required reports to the Department of Administration, or supplies incomplete reports, or supplies reports in a form unacceptable to the Department of Administration and does not cure the deficiency within 30 days of receiving a request to do so;

III. Knowingly and willfully supplies false information to the Department of Administration on applications for permanent assignments, commuting reimbursement forms, or other required reports or forms;

IV. Does not personally sign all reports on forms submitted for vehicles permanently assigned to him or

her and does not cure the deficiency within 30 days of receiving a request to do so;

V. Abuses the vehicle; or

VI. Violates other rules or policy promulgated by the Department of Administration not in conflict with this act.

A new requisition shall not be honored until the Secretary of the Department of Administration is assured that the violation for which a vehicle was previously revoked will not recur.

The Department of Administration, with the approval of the Governor, may delegate, or conditionally delegate, to the respective heads of agencies which own passenger motor vehicles or to which passenger motor vehicles are permanently assigned by the Department, the duty of enforcing all or part of the rules adopted by the Department of Administration pursuant to this subdivision 7a. The Department of Administration, with the approval of the Governor, may revoke this delegation of authority.

Notwithstanding the provisions of this section and G.S. 14-247, the Department of Administration may allow the organization sanctioned by the Governor's Council on Physical Fitness to conduct the North Carolina State Games to use State trucks and vans for the State Games of North Carolina. The Department of Administration shall not charge any fees for the use of the vehicles for the State Games. The State shall incur no liability for any damages resulting from the use of vehicles under this provision. The organization that conducts the State Games shall carry liability insurance of not less than one million dollars ($1,000,000) covering such vehicles while in its use and shall be responsible for the full cost of repairs to these vehicles if they are damaged while used for the State Games."

TVA SETTLEMENT FUNDS

SECTION 13.2. In fiscal year 2015-2016, 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 shall be allocated as follows:

(1) Five hundred thousand dollars ($500,000) to WNC Communities to fund energy efficiency projects for public schools in areas served by the organization. Of the funds allocated in this subdivision, WNC Communities may use up to fifty thousand dollars ($50,000) for administrative expenses.

(2) Seven hundred forty thousand dollars ($740,000) to municipalities with a population less than 1,000 located in counties within the Tennessee Valley Authority Service area that are classified as distressed by the Appalachian Regional Commission, for higher efficiency upgrades to electrical transmission and distribution equipment and facilities.

(3) One million dollars ($1,000,000) to the Department of Environment and Natural Resources to provide the nonfederal match to funding from the Natural Resources Conservation Service for projects conducted under the Western North Carolina Stream Initiative in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, and Yancey.

DISPOSITION OF ROSE HILL LABORATORY PROPERTY

SECTION 13.3. Notwithstanding Article 7 of Chapter 146 of the General Statutes, the Department of Administration shall sell the building and associated real property formerly used to house the Veterinary Diagnostic Laboratory located in the Town of Rose Hill in Duplin County. The Department of Administration shall credit the receipts to the Department of Agriculture and Consumer Services' General Fund to improve the efficiency and responsiveness of the Department's diagnostic laboratory system, and the net proceeds, once realized, are appropriated for that purpose. The Department of Administration may retain a service charge not greater than ten percent (10%) of the gross proceeds from the sale, to be used as set forth in G.S. 146-30(b)(3).

DRUG MANUFACTURING LICENSING AND REGISTRATION FEES

SECTION 13.4.(a) G.S. 106-140.1(h) reads as rewritten:

"(h) The Commissioner shall adopt rules to implement the registration requirements of this section. These rules ~~may~~ shall provide for an annual registration fee of ~~up to five hundred dollars ($500.00)~~one thousand dollars ($1,000) for companies operating as ~~manufacturers, wholesalers, or repackagers.~~manufacturers or repackagers and seven hundred dollars ($700.00) for companies operating as wholesalers. The Department of Agriculture and Consumer Services shall use these funds for the implementation of the North Carolina Food, Drug and Cosmetic Act."

SECTION 13.4.(b) G.S. 106-145.4(b) reads as rewritten:

"**§ 106-145.4. Application and fee for license.**

"(b) Fee. – An application for an initial license or a renewed license as a wholesale distributor shall be accompanied by a nonrefundable fee of ~~five hundred dollars ($500.00)~~ one thousand dollars ($1,000) for a manufacturer or ~~three hundred fifty dollars ($350.00)~~ seven hundred dollars ($700.00) for any other person."

FOOD MANUFACTURER AND RETAILER INSPECTION FEES

SECTION 13.5. G.S. 106-254 reads as rewritten:

"**§ 106-254. Inspection fees; wholesalers; retailers and cheese factories.**

For the purpose of defraying the expenses incurred in the enforcement of this Article, the owner, proprietor or operator of each ice cream factory where ice cream, milk shakes, milk sherbet, sherbet, water ices, mixes for frozen or semifrozen desserts and other similar frozen or semifrozen food products are made or stored, or any cheese factory or butter-processing plant that disposes of its products at wholesale to retail dealers for resale in this State shall pay to the Commissioner of Agriculture each year an inspection fee of ~~forty dollars ($40.00).~~one hundred dollars ($100.00). Each maker of ice cream, milk shakes, milk sherbet, sherbet, water ices and/or other similar frozen or semifrozen food products who disposes of his product at retail only, and cheese factories, shall pay to the Commissioner of Agriculture an inspection fee of ~~ten dollars ($10.00)~~ fifty dollars ($50.00) each year. The inspection fee of ~~ten dollars ($10.00)~~ fifty dollars ($50.00) shall not apply to conventional spindle-type milk-shake mixers, but shall apply to milk-shake dispensing and vending machines, which operate on a continuous or automatic basis."

DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES SPECIAL FUNDS TRANSFER/OFFSET GENERAL FUND APPROPRIATION

SECTION 13.6.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Agriculture and Consumer Services, shall transfer to the General Fund the sum of two hundred seventy-five thousand three hundred ninety-nine dollars ($275,399) from the Swine Waste Fund (Budget Code 23704-2730).

SECTION 13.6.(b) The transfer in subsection (a) of this section is to offset reductions in General Fund appropriations to the Department of Agriculture and Consumer Services for the 2015-2016 fiscal year.

SECTION 13.6.(c) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Agriculture and Consumer Services, shall transfer to the General Fund the sum of one million eighty-one thousand one hundred sixty dollars ($1,081,160) from the Conservation Reserve Enhancement Program fund (Budget Code 23704-2711).

SECTION 13.6.(d) The transfer in subsection (c) of this section is to offset reductions in General Fund appropriations to the Department of Agriculture and Consumer Services for the 2016-2017 fiscal year.

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

PROSPERITY ZONE DENR LIASONS

SECTION 14.1. Section 4.1 of S.L. 2014-18 reads as rewritten:

"**SECTION 4.1.** No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office. For purposes of this Part, the Department of Commerce may contract with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for each office in each of the Collaboration for Prosperity ~~Zones.~~Zones, and the Department of Environment and Natural Resources shall fulfill the departmental liaison requirements from existing and funded positions.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other educational agencies and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation."

IMPROVE FINANCIAL MANAGEMENT OF ENVIRONMENTAL STEWARDSHIP FUNDS THROUGH CONSERVATION GRANT FUND

SECTION 14.2. G.S. 147-69.2(d) reads as rewritten:

"(d) The State Treasurer may invest funds deposited pursuant to ~~subdivision (a)(17i)~~subdivisions (a)(17i) or (a)(17j) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment ~~Fund,~~ Fund or the Conservation Grant Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment ~~Fund~~ Fund or the Conservation Grant Fund on the basis of the amounts ~~thereof contributed,~~contributed to the respective Funds, figured according to sound accounting principles."

ALLOW REVENUE GENERATED FROM TIMBER SALE TO BE RETAINED IN A NONREVERTING ACCOUNT FOR A PERIOD OF FOUR YEARS

SECTION 14.3. The Department of Environment and Natural Resources' Stewardship Program may retain revenue generated from timber harvesting on the Great Coharie property in the Conservation Grant Endowment Interest Fund (6705) for the purpose of restoration and stewardship of that property. Any unused portion of this revenue remaining in the Fund on June 30, 2019, shall revert to the General Fund.

SEPARATE NATURAL HERITAGE PROGRAM FROM CLEAN WATER MANAGEMENT TRUST FUND

SECTION 14.4. G.S. 113A-253(c)(8e) is repealed.

WATER QUALITY REMEDIATION

SECTION 14.5. Of the funds appropriated in this Act to the Clean Water Management Trust Fund, the sum of five hundred thousand dollars ($500,000) shall be used for the remediation and mitigation of stormwater impacts to lakes subject to a Nutrient Management Strategy approved by the Environmental Management Commission.

SHALLOW DRAFT NAVIGATION CHANNEL DREDGING FUNDING EARMARK/AQUATIC WEED CONTROL

SECTION 14.6.(a) G.S. 143-215.73F reads as rewritten:

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund.**

(a) Fund Established. – The Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund is established as a special revenue fund. The Fund consists of fees credited to it under ~~G.S. 75A-3, 75A-38,~~ G.S. 75A-3 and G.S. 75A-38 and ~~105-449.126.~~ taxes credited under G.S. 105-449.126.

(b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

(1) ~~to~~ To provide the State's share of the costs associated with any dredging project designed to keep shallow draft navigation channels located in State waters or waters of the state located within lakes navigable and ~~safe,~~safe.

(2) ~~or for~~For aquatic weed control projects in waters of the State located within lakes under Article 15 of Chapter 113A of the General Statutes. Funding for aquatic weed control projects is limited to five hundred thousand dollars ($500,000) in each fiscal year.

(c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one basis, provided that the cost-share for a lake located

within a component of the State Parks System shall be provided by the Division of Parks and Recreation of the Department of Environment and Natural Resources. The Division of Parks and Recreation may use funds allocated to the State Parks System for capital projects under G.S. 113-44.15 for the cost-share.

(d) Definition. – For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor.

(e) Designation of Certain Funds. – Of the taxes credited to the Fund under G.S. 105-449.126, the sum of three million five hundred thousand dollars ($3,500,000) per fiscal year shall be reserved for Oregon Inlet dredging projects. Funds reserved pursuant to this subsection that are unencumbered as of June 30 of the fiscal year in which the funds are reserved may be used for any other purpose permitted by the Fund."

SECTION 14.6.(b) Of the funds appropriated in this Act for aquatic weed control, up to nine hundred thousand dollars ($900,000) may be made available for aquatic weed control in the State's rivers in the 2015-2016 fiscal year.

USE OF OYSTER SHELLS PROHIBITED IN COMMERCIAL LANDSCAPING

SECTION 14.7.(a) Article 20 of Chapter 113 of the General Statutes is amended by adding a new section to read:

"**§ 113-270. Use of oyster shells by landscape contractors prohibited.**

(a) No landscape contractor shall use oyster shells as a ground cover.

(b) Enforcement of the prohibition set forth in this section shall be under the jurisdiction of the Marine Fisheries Commission.

(c) For purposes of this section, landscape contractor shall have the definition set forth in G.S. 89D-11."

SECTION 14.7.(b) This section is effective October 1, 2015.

CORE SOUND OYSTER LEASING

SECTION 14.8. The Division of Marine Fisheries of the Department of Environment and Natural Resources shall, in consultation with representatives of the commercial fishing industry, representatives of the shellfish aquaculture industry, and relevant federal agencies, create a proposal to open to shellfish cultivation leasing certain areas of Core Sound that are currently subject to a moratorium on shellfish leasing. The Division will submit a report regarding the plan no later than April 1, 2016, to the Joint Legislative Commission on Governmental Operations.

AMEND SENATOR JEAN PRESTON MARINE SHELLFISH SANCTUARY LEGISLATION

SECTION 14.9. Section 44 of S.L. 2014-120 reads as rewritten:

"**SENATOR JEAN PRESTON MARINE ~~SHELLFISH~~ OYSTER SANCTUARY PROGRAM**

"**SECTION 44.(a)** It is the intent of the General Assembly ~~to establish a marine shellfish sanctuary in the Pamlico Sound to be named in honor of former Senator Jean Preston, to be called the "Senator Jean Preston Marine Shellfish Sanctuary."~~to enhance shellfish habitats

within the Albemarle and Pamlico Sounds and their tributaries to benefit fisheries, water quality, and the economy. This will be achieved through the establishment of a network of oyster sanctuaries, harvestable enhancement sites, and coordinated support for the development of shellfish aquaculture. The network of oyster sanctuaries is to be named in honor of Senator Jean Preston and will be called the "Senator Jean Preston Oyster Sanctuary Network".

"**SECTION 44.(b)** The Division of Marine Fisheries of the Department of Environment and Natural Resources shall ~~designate an area of appropriate acreage within the Pamlico Sound as a recommendation to the Environmental Review Commission for establishment of the "Senator Jean Preston Marine Shellfish Sanctuary" and create a plan for managing the sanctuary that includes~~ develop a plan to construct and manage additional oyster habitats. The new sanctuaries, along with selected existing oyster sanctuaries, will be included in the Senator Jean Preston Oyster Sanctuary Network. The plan will include the following components:

(1) Location and delineation of ~~the sanctuary. –~~ oyster sanctuaries. – The plan should include ~~a location~~locations for ~~the sanctuary~~sanctuary network components that ~~minimizes~~ minimize the impact on commercial trawling. ~~In addition, the sanctuary should be gridded into areas leased to private parties for restoration and harvest and areas operated and maintained by the State for restoration that are not open for harvest. The leased and unleased areas should be arranged in a pattern where leased squares are surrounded on four sides by unleased squares.~~The location of sanctuaries shall take into account connectivity to existing oyster sanctuaries and proposed oyster enhancement sites. New oyster sanctuaries shall be designed to provide hook-and-line fishing while allowing the development of complex fish habitats and brood-stock oysters that will enhance recruitment in the surrounding reefs. The plan should outline a 10-year development project to accomplish the expansion.

~~(2) Administration. – The plan should include the prices to be charged for the leased portions of the sanctuary, including an administration fee to be retained by the Division to support the leasing and monitoring program. The plan shall also provide that the balance of lease payments collected by the Division be transferred to the General Fund with a recommendation that some or all of the proceeds be used for the support of the State's special education programs in memory of Senator Jean Preston.~~

(3) Enhancement of oyster habitat restoration. – The General Assembly finds that the lack of a reliable State-based supply of oyster seed and inadequate funding for cultch planting are limitations to the expansion of oyster harvesting and the restoration of wild oyster habitat in North Carolina. Therefore, the plan should include the following:

a. Provisions and recommendations to facilitate the availability of oyster seed produced in North Carolina for wild oyster habitat restoration projects as well as oyster aquaculture and to reduce potential negative impacts from importation of non-native oyster seed.

b. Plans, where feasible, for public-private partnerships for State-based production of viable oyster seed through the creation of one or more production hatcheries and recommendations for increased support of the existing research hatchery at UNC-Wilmington.

c. Plans and cost estimates for an expansion of cultch planting in suitable areas of the State's coastal waters in order to expand areas suitable for development of wild oyster habitat.

(4) Economic relief. – The plan should consider a waiver of application fees and yearly rental fees for new shellfish leases for an established period of time to further promote and support shellfish aquaculture in North Carolina. The new leasing fee waiver program should include measures to discourage speculation and target persons with a genuine interest in starting a shellfish aquaculture business, such as a requirement that the lease be nontransferable for a five-year period.

(5) Outreach. – The plan should include outreach and education that promotes, whenever possible, public-private partnerships utilizing the Sea Grant College Program, local colleges, and other nongovernmental organizations to (i) encourage shellfish aquaculture and provide technical assistance to broaden cost-effective technologies available to leaseholders; (ii) encourage best management practices to leaseholders; and (iii) inform fishermen and the public on the benefits provided by the Senator Jean Preston Oyster Sanctuary Network.

(6) Monitoring. – The plan should include a monitoring plan designed to (i) determine the success of oyster reef construction and (ii) evaluate the cost benefit of the oyster sanctuary network and harvestable enhancement sites.

~~(3)~~(7) Funding. – The plan should include a request for appropriations sufficient ~~to provide funds for the construction of appropriate bottom habitat and shellfish seeding and for Division staff necessary to conduct oyster restoration and monitoring activities. The plan should provide that, whenever possible, construction and shellfish seeding be carried out by contract with private entities.~~for Division staff to expand oyster restoration and monitoring activities for 10 years. The plan should provide that, whenever possible, public-private partnerships are employed to meet the construction, seeding, and outreach requirements of the plan.

~~(4) Commercial fisherman relief. – To promote the diversification of commercial fishing opportunities, the plan should include a program to award free or discounted leases under this section to commercial fishermen who (i) have held one or more commercial fishing licenses continually for a period of 10 or more years and (ii) receive at least fifty percent (50%) of their income from commercial fishing with those licenses.~~

~~(5)~~(8) Recommendations. – The plan ~~should~~ shall include recommendations for statutory or regulatory changes needed to expedite the expansion of shellfish restoration and harvesting in order to improve water quality, restore ecological habitats, provide enhanced recreational and commercial fishing opportunities, and expand the coastal economy.

(9) No funding for sanctuaries in closed areas. – The plan shall provide that no funding or other resources shall be available in water bodies where a moratorium or other legal prohibition on shellfish leasing under Article 16 of Chapter 113 of the General Statutes is currently in effect. This subdivision does not apply to leasing moratoria imposed because the area is closed to shellfish harvesting or recommended for closure by the State Health Director due to pollution.

"**SECTION 44.(c)** No later than ~~December 1, 2014, and quarterly thereafter until submission of a final plan to the Environmental Review Commission,~~ March 1, 2016, the Department of Environment and Natural Resources shall report to the ~~Environmental Review Commission~~Chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Natural and

Economic Resources, and the Fiscal Research Division regarding its implementation of this section and its recommended plan."

SHELLFISH CULTIVATION LEASING REFORM

SECTION 14.10.(a) G.S. 113-202(i) reads as rewritten:

"**§ 113-202. New and renewal leases for shellfish cultivation; termination of leases issued prior to January 1, 1966.**

…

(i) After a lease application is approved by the Secretary, the applicant shall submit to the Secretary ~~a survey of the area approved for leasing and~~ information sufficient to define the bounds of the area approved for leasing with markers in accordance with the rules of the Commission. The ~~survey~~ information shall conform to standards prescribed by the Secretary concerning accuracy ~~of survey~~ and the amount of detail to be shown. When ~~an acceptable survey~~ information is submitted, the boundaries are marked and all fees and rents due in advance are paid, the Secretary shall execute the lease on forms approved by the Attorney General. The Secretary is authorized, with the approval of the lessee, to amend an existing lease by reducing the area under lease or by combining contiguous leases without increasing the total area leased. The information required by this subsection may be based on coordinate information produced using a device equipped to receive global positioning system data."

SECTION 14.10.(b) G.S. 113-202(j) reads as rewritten:

"(j) Initial leases begin upon the issuance of the lease by the Secretary and expire at noon on the first day of July following the ~~fifth~~ tenth anniversary of the granting of the lease. Renewal leases are issued for a period of ~~five~~ 10 years from the time of expiration of the previous lease. At the time of making application for renewal of a lease, the applicant must pay a filing fee of one hundred dollars ($100.00). The rental for initial leases is one dollar ($1.00) per acre for all leases entered into before July 1, 1965, and for all other leases until noon on the first day of July following the first anniversary of the lease. Thereafter, for initial leases entered into after July 1, 1965, and from the beginning for renewals of leases entered into after that date, the rental is ten dollars ($10.00) per acre per year. Rental must be paid annually in advance prior to the first day of April each year. Upon initial granting of a lease, the pro rata amount for the portion of the year left until the first day of July must be paid in advance at the rate of one dollar ($1.00) per acre per year; then, on or before the first day of April next, the lessee must pay the rental for the next full year."

SECTION 14.10.(c) This section applies to shellfish lease applications received by the Department of Environment and Natural Resources on or after the date this act becomes law.

DYNAMIC PRICING FOR STATE PARKS AND ATTRACTIONS

SECTION 14.11.(a) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(27) The Department of Environment and Natural Resources with respect to operating hours, admission fees, or related activity fees at:

a. The North Carolina Zoological Park pursuant to G.S. 143B-335.

b. State Parks pursuant to G.S. 113-35.

c. The North Carolina Aquariums pursuant to G.S. 143B-289.44."

SECTION 14.11.(b) The Department of Environment and Natural Resources shall establish admission fees and related activity fees using a dynamic pricing strategy as defined in subsection (c) of this section. Any rule currently in the Administrative Code related to fees covered by subsection (a) of this section are ineffective and repealed upon the effective date of new admission fees and related activity fees adopted by the Department under the authority set out in subsection (a) of this section. Notice of the initial adoption of new admission fees and

related activity fees under subsection (a) of this section shall be given by the Department to the Codifier of Rules, who, upon receipt of notice of the initial adoption of new admission fees and related activity fees by the Department, shall note the repeal of these rules in the Administrative Code.

SECTION 14.11.(c) It is the intent of the General Assembly that the Department of Environment and Natural Resources institute dynamic pricing as a flexible pricing strategy for entrance fees and related activity fees for the North Carolina Zoological Park, State Parks, and the North Carolina Aquariums. Dynamic pricing is the adjustment of fees for admission and related activities from time to time to reflect marketing forces, including seasonal variations and special event interests, with the intent and effect to maximize revenues from use of these State resources to the extent practicable to offset appropriations from the General Assembly.

SECTION 14.11.(d) Nothing in this section is intended to authorize the Department of Environment and Natural Resources to charge new entrance or parking fees at the State Parks or to charge new parking fees at the North Carolina Zoological Park or the North Carolina Aquariums.

SECTION 14.11.(e) This section applies to operating hours revised or admission fees or related activity fees charged on or after the effective date of this act.

STATE PARKS BUDGET/POSITIONS

SECTION 14.12. Effective July 1, 2015, the following positions are eliminated:

Position number	Title
60032794	Accounting Clerk V
60033107	Maintenance Mechanic IV
60033166	Community Planner III
60032860	Park Ranger
65020598	Facility Maintenance Supervisor II
65020599	Facility Maintenance Supervisor II
60032862	Park Ranger
60033199	Office Assistant V
60032905	Park Ranger
60032990	Office Assistant III
65011956	Maintenance Mechanic IV
65020681	Law Enforcement Officer
65020682	Maintenance Mechanic II
60032817	Park Ranger
60032949	Regional Trails Specialist
60032989	Office Assistant III
60033209	Park Ranger
60032961	Maintenance Mechanic II
65020704	Law Enforcement Officer
65020707	Office Assistant IV
60032797	Park Ranger
60032822	Maintenance Mechanic III
60032979	Park Ranger
60033242	Processing Assistant IV
60032935	Mechanic II
60032954	Office Assistant IV

WATER INFRASTRUCTURE AUTHORITY REVISIONS

SECTION 14.13.(a) G.S. 159G-20(1) is recodified as G.S. 159G-20(1a), and G.S. 159G-20(1a) is recodified as G.S. 159G-20(1c).

SECTION 14.13.(b) G.S. 159G-20, as amended by subsection (a) of this section, reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

(1) Affordability. – The relative affordability of a project for a community compared to other communities in North Carolina based on factors that may include water and sewer service rates, median household income, poverty rates, employment rates, or the population of the served community.

(1a) Asset management plan. – The strategic and systematic application of management practices applied to the infrastructure assets of a local government unit in order to minimize the total costs of acquiring, operating, maintaining, improving, and replacing the assets while at the same time maximizing the efficiency, reliability, and value of the assets.

(1b) Authority. – The State Water Infrastructure Authority created and established pursuant to Article 5 of this Chapter.

…

~~(9) High-unit-cost project. – A project that results in an estimated average household user fee for water and sewer service in the area served by the project in excess of the high-unit-cost threshold. The average household user fee is calculated for a continuous 12-month period.~~

~~(10) High-unit-cost threshold. – Either of the following amounts determined on the basis of data from the most recent federal decennial census and updated by the U.S. Department of Housing and Urban Development's annual estimated income adjustment factors:~~

~~a. One and one-half percent (1.5%) of the median household income in an area that receives both water and sewer service.~~

~~b. Three-fourths of one percent (3/4%) of the median household income in an area that receives only water service or only sewer service.~~

…

(13) Local government unit. – Any of the following:

a. A city as defined in G.S. 160A-1.

b. A county.

c. A consolidated city-county as defined in G.S. 160B-2.

d. A county water and sewer district created pursuant to Article 6 of Chapter 162A of the General Statutes.

e. A metropolitan sewerage district or a metropolitan water district created pursuant to Article 4 of Chapter 162A of the General Statutes.

f. A water and sewer authority created under Article 1 of Chapter 162A of the General Statutes.

g. A sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes.

h. A joint agency created pursuant to Part 1 of Article 20 of Chapter 160A of the General Statutes.

i. A joint agency that was created by agreement between two cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water and wastewater services off the airport premises before 1 January 1995.

(13a) Merger. – The consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.

(14) Nonprofit water corporation. – A nonprofit corporation that is incorporated under Chapter 55A of the General Statutes solely for the purpose of providing drinking water or wastewater services and is an eligible applicant for a federal loan or grant from the Rural Utility Services Division, U.S. Department of Agriculture.

(15) Public water system. – Defined in G.S. 130A-313.

(16) Regionalization. – The physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.

~~(16) Reserved.~~

…

(21) Targeted interest rate project. – Either of the following types of projects:

a. ~~A high-unit-cost project that is awarded a loan.~~A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.

b. A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law encourages a special focus.

…."

SECTION 14.13.(c) G.S. 159G-23 reads as rewritten:

"**§ 159G-23. ~~Common criteria~~Priority consideration for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

The ~~criteria~~ considerations for priority in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water Infrastructure must ~~establish a system of assigning points to applications based on the following criteria:~~consider the following items when evaluating applications:

(1) Public necessity. – ~~An applicant must explain how the project~~A project that promotes public health and protects the ~~environment. A project that~~environment, improves a system that is not in compliance with permit requirements or is under orders from the Department, enables a moratorium to be lifted, or replaces failing septic tanks with a wastewater collection ~~system has priority.~~system.

(2) Effect on impaired waters. – A project that improves designated impaired waters of the ~~State has priority.~~State.

(3) Efficiency. – A project that achieves efficiencies in meeting the State's water infrastructure needs or reduces vulnerability to drought consistent with Part 2A of Article 21 and Article 38 of Chapter 143 of the General Statutes by one of the following ~~methods has priority:~~methods:

a. The combination of two or more wastewater or public water systems into a regional wastewater or public water system by merger, consolidation, or another means.

b. Conservation or reuse of water, including bulk water reuse facilities and waterlines to supply reuse water for irrigation and other approved uses.

c. Construction of an interconnection between water systems intended for use in drought or other water shortage emergency.

d. Repair or replacement of leaking waterlines to improve water conservation and efficiency or to prevent contamination.

e. Replacement of meters and installation of new metering systems.

(4) Comprehensive land-use plan. – A project that is located in a city or county that has adopted or has taken significant steps to adopt a comprehensive land-use plan under Article 18 of Chapter 153A of the General Statutes or Article 19 of Chapter 160A of the General ~~Statutes has priority over a project located in a city or county that has not adopted a plan or has not taken steps to do so.~~Statutes. The existence of a plan has more priority than steps taken to adopt a plan, such as adoption of a zoning ordinance. A plan that exceeds the minimum State standards for protection of water resources has ~~more~~ higher priority than one that does not. A project is considered to be located in a city or county if it is located in whole or in part in that unit. A land-use plan is not considered a comprehensive land-use plan unless it has provisions that protect existing water uses and ensure compliance with water quality standards and classifications in all waters of the State affected by the plan.

(5) Flood hazard ordinance. – A project that is located in a city or county that has adopted a flood hazard prevention ordinance under ~~G.S. 143-215.54A has priority over a project located in a city or county that has not adopted an ordinance.~~G.S. 143–215.54A. A plan that exceeds the minimum standards under G.S. 143-215.54A for a flood hazard prevention ordinance has ~~more~~ higher priority than one that does not. A project is considered to be located in a city or county if it is located in whole or in part in that unit. If no part of the service area of a project is located within the 100-year floodplain, the project has ~~the same priority~~equal consideration under this subdivision as if it were located in a city or county that has adopted a flood hazard prevention ordinance. The most recent maps prepared pursuant to the National Flood Insurance Program or approved by the Department determine whether an area is within the 100-year floodplain.

(6) Sound management. – A project submitted by a local government unit that has demonstrated a willingness and ability to meet its responsibilities through sound fiscal policies and efficient operation and ~~management has priority.~~management.

(6a) Asset management plan. – A project submitted by a local government unit with more than 1,000 service connections that has developed and is implementing an asset management ~~plan has priority over a project submitted by a local government unit with more than 1,000 service connections that has not developed or is not implementing an asset management plan.~~plan.

(7) Capital improvement plan. – A project that implements the applicant's capital improvement plan for the wastewater system or public water system it ~~manages has priority over a project that does not implement a capital improvement plan. To receive priority, a~~manages; so long as the capital improvement plan ~~must set~~sets out the applicant's expected water infrastructure needs for at least 10 years.

(8) Coastal habitat protection. – A project that implements a recommendation of a Coastal Habitat Protection Plan adopted by the Environmental Management Commission, the Coastal Resources Commission, and the Marine Fisheries Commission pursuant to ~~G.S. 143B-279.8 has priority over other projects that affect counties subject to that Plan.~~G.S. 143B-279.8. If no part of the service area of a project is located within a county subject to that Plan, the project has equal priority under this subdivision with a project that receives priority under this subdivision.

(9) ~~High-unit-cost threshold. – A high-unit-cost project has priority over projects that are not high-unit-cost projects. The priority given to a high-unit-cost project shall be set using a sliding scale based on the amount by which the applicant exceeds the high-unit-cost threshold.~~Affordability. – The relative affordability of a project for a community compared to other communities in North Carolina.

(10) Merger and Regionalization. – A project to provide for the planning of regional public water and wastewater systems, to provide for the orderly coordination of local actions relating to public water and wastewater systems, or to help realize economies of scale in regional public water and wastewater systems through consolidation, management, merger, or interconnection of public water and wastewater ~~systems has priority.~~systems. If an applicant demonstrates that it is not feasible for the project to include regionalization, the funding agency shall assign the project the same priority under this subdivision as a project that includes regionalization.

(11) State water supply plan. – A project that addresses a potential conflict between local plans or implements a measure in which local water supply plans could be better coordinated, as identified in the State water supply plan pursuant to ~~G.S. 143-355(m), has priority.~~G.S. 143-355(m).

(12) Water conservation measures for drought. – A project that includes adoption of water conservation measures by a local government unit that are more stringent than the minimum water conservation measures required pursuant to ~~G.S. 143-355.2 has priority.~~G.S. 143–355.2.

(13) Low-income residents. – A project that is located in an area annexed by a municipality under Article 4A of Chapter 160A of the General Statutes in order to provide water or sewer services to low-income ~~residents has priority. For purposes of this section, low-income residents are those with a family income that is eighty percent (80%) or less of median family income.~~residents."

SECTION 14.13.(c1) G.S. 159G-31 reads as rewritten:

"**§ 159G-31. Entities eligible to apply for loan or grant.**

(a) A local government unit or a nonprofit water corporation is eligible to apply for a loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or grant from the DWSRF. Other entities are not eligible for a loan or grant from these accounts.

(b) Entities eligible in subsection (a) of this section for grants from the Wastewater Reserve and the Drinking Water Reserve may be limited, based on affordability, to a portion of the total construction costs for the project types defined in G.S. 159G-33(a)(2) and G.S. 159G-34(a)(2).

(c) To the extent that funds are available, loans shall be considered for the portion of construction costs not eligible for grant funding."

SECTION 14.13.(d) G.S. 159G-33(a)(4) is recodified as G.S. 159G-33(a)(5).

SECTION 14.13.(e) G.S. 159G-33(a), as amended by subsection (d) of this section, reads as rewritten:

"(a) Types. – The Department is authorized to make the types of loans and grants listed in this subsection from the Wastewater Reserve. Each type of loan or grant must be administered through a separate account within the Wastewater Reserve.

(1) ~~General.~~ Loan. – A loan ~~or grant~~ is available for a project authorized in G.S. 159G-32(b).

(2) ~~High-unit-cost~~Project grant. – A ~~high-unit-cost~~project grant is available for a portion of the ~~portion of the~~ construction costs of a wastewater collection

system ~~project or~~project, a wastewater treatment works ~~project that results in an estimated average household user fee for water and sewer service in the area served by the project that exceeds the high-unit-cost threshold.~~project, or a stormwater quality project as authorized in G.S. 159G-32(b).

(3) ~~Technical assistance~~Merger/regionalization feasibility grant. – A ~~technical assistance~~merger/regionalization feasibility grant is available to determine the ~~best way to correct the deficiencies in a wastewater collection system or wastewater treatment works that either is not in compliance with its permit limits or, as identified in the most recent inspection report by the Department under G.S. 143-215.3, is experiencing operational problems and is at risk of violating its permit limits.~~feasibility of consolidating the management of multiple utilities into a single utility operation or to provide regional treatment and the best way of carrying out the consolidation or regionalization. The Department shall not make a loan or grant under this subdivision for a merger or regionalization proposal that would result in a new surface water transfer regulated under G.S. 143-215.22L.

(4) Asset inventory and assessment grant. – An asset inventory and assessment grant is available to inventory the existing water and/or sewer system and document the condition of the inventoried infrastructure.

(5) Emergency loan. – An emergency loan is available in the event the Secretary certifies that a serious public health hazard related to the inadequacy of an existing wastewater collection system or wastewater treatment works is present or imminent in a community."

SECTION 14.13.(f) G.S. 159G-34(a)(4) is recodified as G.S. 159G-34(a)(5).

SECTION 14.13.(g) G.S. 159G-34(a), as amended by subsection (f) of this section, reads as rewritten:

"(a) Types. – The Department is authorized to make the types of loans and grants listed in this section from the Drinking Water Reserve. Each type of loan or grant must be administered through a separate account within the Drinking Water Reserve.

(1) ~~General. –~~Loan. – A loan ~~or grant~~ is available for a project for a public water system.

(2) ~~High-unit-cost~~Project grant. – A project grant is available for ~~the~~ a portion of the construction costs of a public water system project ~~that results in an estimated average household user fee for water and sewer service in the area served by the project that exceeds the high-unit-cost threshold.~~as defined in G.S. 159G-32(c).

(3) ~~Technical assistance~~Merger/regionalization feasibility grant. – A ~~technical assistance~~merger/regionalization grant is available to determine the ~~best way to correct the deficiencies in a public water system that does not comply with State law or the rules adopted to implement that law.~~feasibility of consolidating the management of multiple utilities into a single utility operation or to provide regional water supply and the best way of carrying out the consolidation or regionalization. The Department shall not make a loan or grant under this subdivision for a merger or regionalization proposal that would result in a new surface water transfer regulated under G.S. 143-215.22L.

(4) Asset inventory and assessment grant. – An asset inventory and assessment grant is available to inventory the existing water and/or sewer system and document the condition of the inventoried infrastructure.

(5) Emergency loan. – An emergency loan is available to an applicant in the event the Secretary certifies that either a serious public health hazard or a

drought emergency related to the water supply system is present or imminent in a community."

SECTION 14.13.(h) G.S. 159G-35 reads as rewritten:

"**§ 159G-35. Criteria for loans and grants.**

(a) CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts must meet the criteria set under federal law. The Department is directed to establish through negotiation with the United States Environmental Protection Agency the criteria for evaluating applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to the criteria. The Department must incorporate the negotiated criteria and priorities in the Capitalization Grant Operating Agreement between the Department and the United States Environmental Protection Agency. The criteria and priorities incorporated in the Agreement apply to a loan or grant from the CWSRF or the DWSRF. The ~~common criteria~~priority considerations in G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the DWSRF.

(b) Reserves. – The ~~common criteria~~priority considerations in G.S. 159G-23 apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Department may establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve."

SECTION 14.13.(i) G.S. 159G-36(c) reads as rewritten:

"(c) Reserve Recipient Limit. – The following limits apply to ~~a~~ the loan or grant types made from the Wastewater Reserve or the Drinking Water Reserve to the same local government unit or nonprofit water corporation:

(1) The amount of loans awarded for a fiscal year may not exceed three million dollars ($3,000,000).

(2) The amount of loans awarded for three consecutive fiscal years for targeted interest rate projects may not exceed three million dollars ($3,000,000).

(3) The amount of ~~high-unit-cost~~project grants awarded for three consecutive fiscal years may not exceed three million dollars ($3,000,000).

(4) The amount of ~~technical assistance~~merger/regionalization feasibility grants awarded for three consecutive fiscal years may not exceed fifty thousand dollars ($50,000).

(5) The amount of asset inventory and assessment grants awarded for three consecutive fiscal years may not exceed one hundred fifty thousand dollars ($150,000)."

SECTION 14.13.(j) The Division of Water Infrastructure of the Department of Environment and Natural Resources shall report to the Environmental Review Commission and the Fiscal Research Division regarding its implementation of the relative affordability of projects criteria for grants from the Wastewater Reserve or Drinking Water Reserve set forth in G.S. 159G-23(9), as amended by subsection (c) of this section, within 30 days of the adoption of the affordability criteria.

WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS

SECTION 14.14. Notwithstanding G.S. 159G-22, funds appropriated in this act to the Division of Water Infrastructure for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund to provide State matching funds that are in excess of the amount required to draw down the maximum amount of federal capitalization grant funds may be used for State water and wastewater infrastructure grants awarded from the Wastewater Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of the State.

COAL ASH MANAGEMENT FUNDS

SECTION 14.15. Notwithstanding G.S. 62-302.1(d), of the funds remaining in the Coal Combustion Residuals Fund at the end of fiscal year 2014-2015, the sum of three hundred ninety-seven thousand dollars ($397,000) of the cash balance remaining on June 30, 2015, shall be made available to reimburse the Department of Environment and Natural Resources on a quarterly basis in fiscal year 2015-2016 to carry out the duties in Part 21 of Article 9 of Chapter 130A of the General Statutes. The first quarter distribution shall be made no later than August 1, 2015, and every three months thereafter. These funds are in addition to the one million seven hundred fifty thousand dollars ($1,750,000) appropriation to the Department from the Coal Combustion Residuals Fund.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES/CLOSE CERTAIN SPECIAL FUNDS

SECTION 14.16.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Environment and Natural Resources, shall transfer the unencumbered cash balances in the following funds as of June 30, 2015, to the General Fund and then close each of these special funds:

(1) Mining Fees (Special Fund Code 24300-2745).
(2) Mining Interest (Special Fund Code 24300-2610).
(3) Storm Water Permits (Special Fund Code 24300-2750).
(4) UST Soil Permitting (Special Fund Code 24300-2391).

SECTION 14.16.(b) G.S. 74-54.1(b) reads as rewritten:

"(b) ~~The Mining Account is established as a nonreverting account within the Department.~~ Fees collected under this section shall be credited to the ~~Mining Account~~ General Fund and shall be applied to the costs of administering this Article."

SECTION 14.16.(c) G.S. 130A-309.17(i) is repealed.

SECTION 14.16.(d) G.S. 143-215.3A(a) reads as rewritten:

"(a) The Water and Air Quality Account is established as an account within the Department. Revenue in the Account shall be applied to the costs of administering the programs for which the fees were collected. Revenue credited to the Account pursuant to G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air quality program. Any funds credited to the Account from fees collected for laboratory facility certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert. Any other funds credited to the Account that are not expended at the end of each fiscal year shall not revert. Except for the following fees, all application fees and permit administration fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter shall be credited to the Account:

(1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other Hazardous Substances Pollution Protection Fund.
(2) Fees credited to the Title V Account.
(3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.
(4) Fees collected under G.S. 143-215.28A.
(5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.
(6) Fees collected under G.S. 143-215.3D for the following permits and certificates shall be credited to the General Fund for use by the Department to administer the program for which the fees were collected:
    a. Stormwater permits and certificates of general permit coverage authorized under G.S. 143-214.7.

b. Permits to apply petroleum contaminated soil to land authorized under G.S. 143-215.1."

SECTION 14.16.(e) The transfers in subsection (a) of this section are to offset reductions in General Fund appropriations to the Department of Environment and Natural Resources for the 2015-2016 fiscal year. Fee receipts previously deposited to the funds listed in subsection (a) shall be budgeted to support the programs and functions previously supported by those funds.

PART XV. DEPARTMENT OF COMMERCE

EDPNC STATE BUDGET ACT EXEMPTION

SECTION 15.1. G.S. 143B-431.01(b) reads as rewritten:

"(b) Contract. – The Department of Commerce is authorized to contract with a North Carolina nonprofit corporation to perform one or more of the Department's functions, powers, duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. The contract entered into pursuant to this section between the Department and the Economic Development Partnership of North Carolina is exempt from Articles 3 and 3C of Chapter 143 of the General ~~Statutes.~~ Statutes and G.S. 143C-6-23. If the Department contracts with a North Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all funds appropriated to the Department for tourism marketing purposes shall be used for a research-based, comprehensive marketing program directed toward consumers in key markets most likely to travel to North Carolina and not for ancillary activities, such as statewide branding and business development marketing. The Department may not contract with a North Carolina nonprofit corporation regarding any of the following:

(1) The obligation or commitment of funds under this Article, such as the One North Carolina Fund, the Job Development Investment Grant Program, the Industrial Development Fund, or the Job Maintenance and Capital Development Fund.

(2) The Division of Employment Security, including the administration of unemployment insurance.

(3) The functions set forth in G.S. 143B-431(a)(2).

(4) The administration of funds or grants received from the federal government or its agencies."

COMMERCE & DENR STUDY COASTAL RESTORATION AS AN ECONOMIC DEVELOPMENT STRATEGY

SECTION 15.2.(a) The Department of Commerce shall study how coastal restoration, including wetland restoration, oyster bed restoration, living shorelines, and stormwater retrofit efforts, contribute to the coastal economy and, if and how, coastal restoration is consistent with State, regional, and rural economic development policies. The Department shall consult with other State agencies and private organizations in conducting this study. The Department shall report its findings, including any proposed revisions and implementations of these policies, to the Environmental Review Commission by March 1, 2016.

SECTION 15.2.(b) The Departments of Commerce and Environment and Natural Resources shall work with the United States Department of Agriculture, Natural Resources Conservation Service, as well as for-profit and nonprofit organizations, to develop recommendations to identify and fully capitalize on the conservation programs funded through the federal Farm Bill, including the potential to help pay for oyster restoration, wildlife enhancement, and wetland restoration with federal dollars. The Departments shall also determine how the State of North Carolina compares to other states in accessing federal

restoration funding. The Departments shall report their findings and recommendations to the Environmental Review Commission by March 1, 2016.

SECTION 15.2.(c) The Department of Environment and Natural Resources shall identify regulatory reform opportunities for the construction of voluntary natural resource restoration and enhancement projects and shall develop proposals that reduce the cost of and approval time for projects that restore oysters, wetlands, coastal shorelines, and other natural resources. The Department shall consider all of the following: (i) opportunities to streamline the permitting of voluntary natural resource restoration and enhancement projects; (ii) opportunities to reduce permitting fees for voluntary natural resource restoration and enhancement projects; (iii) providing for flexibility in applying environmental standards to restoration and enhancement projects with long-term environmental and natural resource benefits; (iv) allowing de minimis environmental impacts during construction of restoration or enhancement projects in the interest of long-term environmental and natural resource benefits, consistent with State and federal law; and (v) opportunities to focus existing Department resources on restoration and enhancement of natural resources. The Department shall submit its findings and recommendations to the Environmental Review Commission by March 1, 2016.

COMMERCE STUDY TIME SPENT ADMINISTERING PROGRAMS SUPPORTED BY FEDERAL FUNDS

SECTION 15.3.(a) The Department of Commerce shall study the amount of time all persons in General Fund-supported positions spend performing duties related to the operation and administration of programs that receive federal funds, including the Division of Employment Security and the Division of Workforce Solutions, to determine whether some or all of the costs related to the performance of these duties should be supported by federal indirect cost receipts and, therefore, should be paid for with federal funds instead of General Fund appropriations.

SECTION 15.3.(b) No later than March 1, 2016, the Department of Commerce shall report the findings of the study required under subsection (a) of this section to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division.

DEPARTMENT OF COMMERCE/CONFORMING STATUTORY CHANGES

SECTION 15.4.(a) G.S. 20-81.12 reads as rewritten:

"**§ 20-81.12. Collegiate insignia plates and certain other special plates.**

…

(b124) Travel and Tourism. – The Division must receive 300 or more applications for the "Travel and Tourism" plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of "Travel and Tourism" plates to the ~~Division of Tourism, Film, and Sports Development~~Department of Commerce to be used for programs in support of travel and tourism in North Carolina.

…."

SECTION 15.4.(b) G.S. 143B-434.2 reads as rewritten:

"**§ 143B-434.2. Travel and Tourism Policy Act.**

…

(d) The Department of Commerce, and the ~~Division of Tourism, Film, and Sports Development within that Department,~~nonprofit corporation with whom the Department contracts pursuant to G.S. 143B-431.01(b) to promote and market tourism, shall implement the policies set forth in this section. The ~~Division of Tourism, Film, and Sports Development~~nonprofit corporation shall make an annual report to the General Assembly

regarding the status of the travel and tourism industry in North Carolina; the report shall be submitted to the General Assembly by October 15 of each year beginning ~~October 15, 2011.~~October 15, 2015. The duties and responsibilities of the ~~Department of Commerce through the Division of Tourism, Film, and Sports Development~~ nonprofit corporation shall be to:

(1) Organize and coordinate programs designed to promote tourism within the State and to the State from other states and foreign countries.
(2) Measure and forecast tourist volume, receipts, and impact, both social and economic.
(3) Develop a comprehensive plan to promote tourism to the State.
(4) Encourage the development of the State's tourism infrastructure, facilities, services, and attractions.
(5) Cooperate with neighboring states and the federal government to promote tourism to the State from other countries.
(6) Develop opportunities for professional education and training in the tourism industry.
(7) Provide advice and technical assistance to local public and private tourism organizations in promoting tourism to the State.
(8) Encourage cooperation between State agencies and private individuals and organizations to advance the State's tourist interests and seek the views of these agencies and the private sector in the development of State tourism programs and policies.
(9) Give leadership to all concerned with tourism in the State.
(10) Perform other functions necessary to the orderly growth and development of tourism.
(11) Develop informational materials for visitors which, among other things, shall:
    a. Describe the State's travel and tourism resources and the State's history, economy, political institutions, cultural resources, outdoor recreational facilities, and principal festivals.
    b. Urge visitors to protect endangered species, natural resources, archaeological artifacts, and cultural treasures.
    c. Instill the ethic of stewardship of the State's natural resources.
(12) Foster an understanding among State residents and civil servants of the economic importance of hospitality and tourism to the State.
(13) Work with local businesses, including banks and hotels, with educational institutions, and with the United States Travel and Tourism Administration, to provide special services for international visitors, such as currency exchange facilities.
(14) Encourage the reduction of architectural and other barriers which impede travel by physically handicapped persons."

SECTION 15.4.(c) G.S. 143B-472.35 reads as rewritten:

"**§ 143B-472.35. Establishment of fund; use of funds; application for grants; disbursal; repayment; inspections; rules; reports.**

…

(a2) Definitions. – For purposes of this section, the following definitions shall apply:

…

(9) Main Street Center. – The agency within the North Carolina Department of ~~Commerce, Office of Urban Development,~~Commerce which receives applications and makes decisions with respect to Main Street Solutions Fund grant applications from eligible local governments.

…."

SECTION 15.4.(d) The Department of Commerce shall, in accordance with Article 2A of Chapter 150B of the General Statutes, amend its rules to reflect the division name changes provided for in this act.

SECTION 15.4.(e) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

NER BLOCK GRANTS/2016 AND 2017 PROGRAM YEARS

SECTION 15.5.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2016, and June 30, 2017, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,037,500
02.	Economic Development	15,737,500
03.	Infrastructure	26,725,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2016 Program Year		**$ 43,500,000**
	2017 Program Year	**$ 43,500,000**

SECTION 15.5.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.5.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 15.5.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million thirty-seven thousand five hundred dollars ($1,037,500) may be used for State Administration; up to fifteen million seven hundred thirty-seven thousand five hundred dollars ($15,737,500) may be used for Economic Development; and up to twenty-six million seven hundred twenty-five thousand dollars ($26,725,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.5.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report

the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 15.5.(f) By September 1, 2015, and September 1, 2016, the Department of Commerce shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 15.5.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure". Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

USE OF DEOBLIGATED COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS AND SURPLUS FEDERAL ADMINISTRATIVE FUNDS

SECTION 15.6.(a) Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year-to-year based upon the amount of State-appropriated funds allocated and the amount of eligible in-kind funds identified.

SECTION 15.6.(b) To allow the Department of Commerce and the Department of Environment and Natural Resources to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

(1) All surplus federal administrative funds shall be divided equally between the Departments of Commerce and Environment and Natural Resources and shall be used as provided in subdivisions (2) and (3) of this subsection.

(2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG economic development program category.

b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.

c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

(3) All deobligated funds allocated to the Department of Environment and Natural Resources and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG infrastructure program category.

b. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

UNDERSERVED AND LIMITED RESOURCE COMMUNITIES/ECONOMIC DEVELOPMENT GRANTS

SECTION 15.7. Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read as follows:

"PART 23.

"Underserved and Limited Resource Communities.

"**§ 143B-472.135. Competitive Grant Program.**

(a) The Department of Commerce shall establish an Economic Development Competitive Grant Program for Underserved and Limited Resource Communities. The purpose of the Program is to provide grants to local governments and nonprofit organizations to encourage the development of economic development activities, services, and projects that benefit underserved populations and limited resource communities across the State.

(b) The Department shall develop guidelines and procedures for the administration and distribution of funds allocated to the Economic Development Competitive Grant Program for Underserved and Limited Resource Communities that include, at a minimum, the following:

(1) Eligible organizations shall be nonprofit organizations and local governments that target underserved populations or limited resource communities.

(2) Eligible organizations shall make their application in accordance with procedures established by the Department.

(3) Eligible organizations shall not use funds allocated in this section for renting or purchasing land or buildings or for financing debt.

(4) Priority shall be given to eligible organizations that demonstrate established community partnerships and business involvement.

(5) Priority shall be given to eligible organizations that match funds or have at least one other significant source of funding.

(6) Priority shall be given to eligible organizations that prioritize independent fund-raising to achieve financial sustainability apart from State-funded appropriations.

(c) By September 1 of each year, the Department shall submit a report on the following prior fiscal year activities to the Chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources and the Fiscal Research Division:

(1) The number of grants awarded.

(2) The name of each grantee, and the city and county in which the grantee is located.

(3) A description of the economic development activity, service, or project undertaken by the grantee.

(4) The names of the community partners or businesses involved in the economic development activity, service, or project, and a description of the ways in which the partners or businesses contributed to the activity, service, or project.

(5) The amount of matching funds or other significant source of funding provided by the grantee."

FUNDS TO CERTAIN COUNTIES FOR APPALACHIAN REGIONAL COMMISSION MATCH

SECTION 15.8.(a) Of the funds appropriated in this act to the Department of Commerce for the Rural Grant Program Expansion for the 2015-2016 fiscal year, the sum of two hundred fifty-three thousand nine hundred fifty-six dollars ($253,956) in nonrecurring funds shall be allocated to the following counties to be used for the Appalachian Regional Commission match requirement:

(1)	Cherokee	$63,606
(2)	Graham	103,450
(3)	Rutherford	43,450
(4)	Swain	43,450.

SECTION 15.8.(b) The match funds provided for in subsection (a) of this section shall be used for infrastructure projects only.

LABOR AND ECONOMIC ANALYSIS DIVISION/VACANT POSITIONS TO BE RECEIPT-SUPPORTED

SECTION 15.9.(a) Beginning July 1, 2015, the following vacant positions in the Department of Commerce, Labor and Economic Analysis Division, which are partially supported by General Fund appropriations and partially funded by receipts, shall become fully receipt-supported:

60080027 – Administrative Assistant I
60080007 – Bus. & Tech. Applic. Analyst
60080008 – Bus. & Tech. Applic. Analyst
60079991 – Bus. & Tech. Applic. Specialist
60081028 – Bus. & Tech. Applic. Specialist
60080988 – Economist
60079956 – Office Assistant IV
60079968 – Outreach and Training Manager
60081029 – Policy Analyst
60081194 – Policy Analyst
60079989 – Social/Clinical Research Assistant
60079953 – Social/Clinical Research Specialist
60079960 – Social/Clinical Research Specialist
60079975 – Social/Clinical Research Specialist
60079978 – Social/Clinical Research Specialist
60079967 – Social/Clinical Research Manager
60079951 – Social/Clinical Research Executive.

SECTION 15.9.(b) The Secretary of the Department of Commerce shall reconfigure the vacant positions described in subsection (a) of this section, as needed, to ensure that the positions are fully receipt-supported.

MODIFY ECONOMIC DEVELOPMENT GRANT REPORT

SECTION 15.10.(a) G.S. 143B-437.07 reads as rewritten:

"**§ 143B-437.07. Economic development grant reporting.**

(a) Report. – The Department of Commerce must publish on or before October 1 of each year the information required by this subsection, itemized by business entity, for each business or joint private venture to which the State has, in whole or in part, granted one or more economic development incentives during the ~~previous fiscal year.~~relevant time period. The relevant time period ends June 30 preceding the publication date of this subsection and begins (i) for incentives not awarded under Part 2G of this Article with the 2007 calendar year and (ii) for incentives awarded under Part 2G of this Article with the 2002 calendar year. The information in the report must include all of the following:

…

(3) The name, mailing address, telephone number, and Web site of the business recipient, or recipients if a joint venture, and the physical location of the site receiving the incentive. If the physical location of the site is undecided, then the name of the county in which the site will be located. The information regarding the physical location must indicate whether the physical location is a new or expanded facility.

(3a) A determination of whether the award is to a business that is new to the State or an expansion of an existing business within the State.

…."

SECTION 15.10.(b) This section is effective for reports published for fiscal years beginning on or after July 1, 2015.

WORKFORCE DEVELOPMENT BOARDS/CHANGES TO CONFORM WITH FEDERAL LAW

SECTION 15.11.(a) G.S. 143B-438.10 reads as rewritten:

"**§ 143B-438.10. ~~Commission on Workforce Development.~~NCWorks Commission.**

(a) Creation and Duties. – There is created within the Department of Commerce the ~~North Carolina Commission on Workforce Development.~~ NCWorks Commission (hereinafter "Commission"). The Commission shall have the following powers and duties:

…

(9) To serve as the State's Workforce Investment Board for purposes of the federal ~~Workforce Investment Act of 1998.~~Workforce Innovation and Opportunity Act.

…

(13) To develop performance accountability measures for local workforce development boards consistent with the requirements of Section 116 of the Workforce Innovation and Opportunity Act and to recommend to the Governor sanctions against local workforce development boards that fail to meet the performance accountability measures.

(14) To develop fiscal control and fund accounting procedures for local workforce development boards consistent with the requirements of Section 184 of the Workforce Innovation and Opportunity Act and to recommend to the Governor sanctions against local workforce development boards that fail to meet the fiscal control and fund accounting procedures.

(b) ~~Membership; Terms. Effective January 1, 2013, the~~ Membership. – The Commission ~~on Workforce Development~~ shall consist of ~~25~~ 33 members appointed as follows:

(1) By virtue of their offices, the following ~~department and agency heads or their respective designees~~ persons, or their designees, shall serve on the Commission: ~~the~~

a. The Governor.

b. The Secretary of the Department of ~~Administration, the~~ Administration.

c. The Secretary of the Department of Commerce.

d. The Secretary of the Department of Health and Human ~~Services, the~~ Services.

e. The Superintendent of Public ~~Instruction, the~~ Instruction.

f. The President of the Community Colleges System ~~Office, the Commissioner of the Department of Labor, and the Secretary of the Department of Commerce.~~Office.

g. The President of The University of North Carolina System.

(2) ~~The~~ Pursuant to the provisions of Section 101 of the Workforce Innovation and Opportunity Act, the Governor shall appoint ~~19~~ 26 members as follows:

a. ~~Two~~ Seventeen members representing ~~public, postsecondary, and vocational education.~~business and industry in the State.

b. ~~One member~~ Seven members representing ~~community-based organizations.~~the workforce in the State.

c. ~~Three members representing labor.~~One member representing local elected city officials in the State.

d. ~~Thirteen members representing business and industry.~~One member representing local elected county officials in the State.

~~(3) The terms of the members appointed by the Governor shall be for four years.~~

(b1) Terms. – The persons listed in subdivision (1) of subsection (b) of this section shall serve on the Commission while they hold their respective offices. The terms of the members appointed by the Governor pursuant to subdivision (2) of subsection (b) of this section shall be for four years, except as provided in this subsection. The terms shall be staggered and shall begin on August 1 and expire on July 31. Upon the expiration of the term of each member in subdivision (2) of subsection (b) of this section, the Governor shall fill the vacancy by reappointing the member or appointing another person of like qualification to serve a four-year term. If a vacancy occurs for any reason other than the expiration of the member's term, the Governor shall appoint a person of like qualification to serve for the remainder of the unexpired term.

In order to provide for staggered terms, six persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section and three persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2019. Five persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section, two persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section, and one person appointed to the position designated in sub-subdivision c. of subsection (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2017. Six persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section, two persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section, and one person appointed to the position designated in sub-subdivision d. of subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2016.

…."

SECTION 15.11.(b) The terms of office of the Commissioner of the Department of Labor and the 19 public members appointed by the Governor and currently serving on the North Carolina Commission on Workforce Development shall expire on July 31, 2015.

SECTION 15.11.(c) G.S. 143B-438.11 reads as rewritten:

"**§ 143B-438.11. Local Workforce Development Boards.**

(a) Duties. – Local Workforce Development Boards shall have the following powers and duties:

…

(7) To serve as the Workforce Investment Board for the designated substate area for the purpose of the federal Workforce ~~Investment Act of 1998.~~Innovation and Opportunity Act.

(7a) To designate through a competitive selection process, by no later than July 1, 2014, the providers of adult and dislocated worker services authorized in the Workforce ~~Investment Act of 1998.~~Innovation and Opportunity Act.

(8) To provide the appropriate guidance and information to Workforce ~~Investment~~ Innovation and Opportunity Act consumers to ensure that they are prepared and positioned to make informed choices in selecting a training provider. Each local Workforce Development Board shall ensure that consumer choice is properly maintained in the one-stop centers and that consumers are provided the full array of public and private training provider information.

…

(10) To comply with the performance accountability measures established by the NCWorks Commission pursuant to Section 116 of the Workforce Innovation and Opportunity Act.

(11) To comply with the fiscal control and fund accounting procedures established by the NCWorks Commission pursuant to Section 184 of the Workforce Innovation and Opportunity Act.

(b) Members. – Members of local Workforce Development Boards shall be appointed by local elected officials in accordance with criteria established by the Governor and with provisions of the federal Workforce ~~Investment~~ Innovation and Opportunity Act. The local Workforce Development Boards shall have a majority of business members and shall also include representation of workforce and education providers, labor organizations, community-based organizations, and economic development boards as determined by local elected officials. The Chairs of the local Workforce Development Boards shall be selected from among the business members.

(c) Assistance. – The ~~North Carolina Commission on Workforce Development~~ NCWorks Commission and the Department of Commerce shall provide programmatic, technical, and other assistance to any local Workforce Development Board that realigns its service area with the boundaries of a local regional council of governments established pursuant to G.S. 160A-470."

SECTION 15.11.(d) G.S. 96-32 reads as rewritten:

"**§ 96-32. Common follow-up information management system created.**

…

(d) The LEAD shall do the following:

(1) Collaborate with the ~~Commission on Workforce Development~~ NCWorks Commission to develop common performance measures across workforce programs in the Department of Commerce, the Department of Health and Human Services, the Community Colleges System Office, the Department of Administration, and the Department of Public Instruction that can be tracked through the CFS in order to assess and report on workforce development program performance.

…."

SECTION 15.11.(e) G.S. 143B-157 reads as rewritten:

"**§ 143B-157. Commission for the Blind – creation, powers and duties.**

There is recreated the Commission for the Blind of the Department of Health and Human Services with the power and duty to adopt rules governing the conduct of the State's

rehabilitative programs for the blind that are necessary to carry out the provisions and purposes of this Article.

…

(3e) The Commission shall coordinate with other councils within the State, including the statewide Independent Living Council established under section 705 of the federal Rehabilitation Act, 29 U.S.C. § 720, et seq., the advisory panel established under section 612(a)(21) of the Individuals with Disabilities Education Act, 20 U.S.C. § 1413(A)(12), the Council on Developmental Disabilities described in section 124 of the Developmental Disabilities Assistance and Bill of Rights Act, 42 U.S.C. § 6024, the State Mental Health Planning Council established pursuant to section 1916(e) of the Public Health Service Act, 42 U.S.C. § 300x-4(e), and the ~~Commission on Workforce Development;~~NCWorks Commission;

…."

SECTION 15.11.(f) G.S. 143B-158 reads as rewritten:

"**§ 143B-158. Commission for the Blind.**

(a) The Commission for the Blind of the Department of Health and Human Services shall consist of 19 members as follows:

…

(12) One representative of the ~~Commission on Workforce Development.~~NCWorks Commission.

…."

SECTION 15.11.(g) G.S. 143B-438.12 reads as rewritten:

"**§ 143B-438.12. Federal Program Administration.**

(a) Federal Workforce ~~Investment~~ Innovation and Opportunity Act. – In accordance with the federal Workforce ~~Investment~~ Innovation and Opportunity Act, the ~~Commission on Workforce Development~~ NCWorks Commission shall develop a ~~Five-Year Strategic Plan~~ Four-Year Unified State Plan to be submitted to the U.S. Secretary of Labor. The ~~Strategic Plan~~ Unified State Plan shall describe the ~~workforce development activities to be undertaken in the State to implement the federal Workforce Investment Act and how special populations shall be served.~~State's strategic vision and goals for preparing an educated and skilled workforce as required in Section 102 of the federal Workforce Innovation and Opportunity Act.

(b) Other Workforce Grant Applications. – The ~~Commission on Workforce Development~~ NCWorks Commission may submit grant applications for workforce development initiatives and may manage the initiatives and demonstration projects."

SECTION 15.11.(h) G.S. 143B-438.13 reads as rewritten:

"**§ 143B-438.13. Employment and Training Grant Program.**

(a) Employment and Training Grant Program. – There is established in the Department of Commerce, Division of ~~Employment and Training,~~ Workforce Solutions, an Employment and Training Grant Program. Grant funds shall be allocated to local Workforce Development Boards for the purposes of enabling recipient agencies to implement local employment and training programs in accordance with existing resources, local needs, local goals, and selected training occupations. The State program of workforce performance standards shall be used to measure grant program outcomes.

(b) Use of Grant Funds. – Local agencies may use funds received under this section for the purpose of providing services, such as training, education, placement, and supportive services. Local agencies may use grant funds to provide services only to individuals who are (i) 18 years of age or older and meet the federal Workforce ~~Investment Act,~~ Innovation and Opportunity Act, title I adult eligibility definitions, or meet the federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I dislocated worker eligibility definitions, or (ii)

incumbent workers with annual family incomes at or below two hundred percent (200%) of poverty guidelines established by the federal Department of Health and Human Services.

(c) Allocation of Grants. – The Department of Commerce may reserve and allocate up to ten percent (10%) of the funds available to the Employment and Training Grant Program for State and local administrative costs to implement the Program. The Division of ~~Employment and Training~~ Workforce Solutions shall allocate employment and training grant funds to local Workforce Development Boards serving federal Workforce ~~Investment~~ Innovation and Opportunity Act local workforce ~~investment~~ development areas based on the following formula:

(1) One-half of the funds shall be allocated on the basis of the relative share of the local workforce ~~investment~~ development area's share of federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I adult funds as compared to the total of all local areas adult shares under the federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I.

(2) One-half of the funds shall be allocated on the basis of the relative share of the local workforce ~~investment~~ development area's share of federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I dislocated worker funds as compared to the total of all local areas dislocated worker shares under the federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I.

(3) Local workforce ~~investment~~ development area adult and dislocated shares shall be calculated using the current year's allocations to local areas under the federal Workforce ~~Investment~~ Innovation and Opportunity Act, title I.

(d) Repealed by Session Laws 2009-451, s. 14.5(d), effective July 1, 2009.

(e) Nonreverting Funds. – Funds appropriated to the Department of Commerce for the Employment and Training Grant Program that are not expended at the end of the fiscal year shall not revert to the General Fund, but shall remain available to the Department for the purposes established in this section."

SECTION 15.11.(i) G.S. 143B-438.14 reads as rewritten:

"**§ 143B-438.14. "No Adult Left Behind" Initiative.**

(a) The ~~Commission on Workforce Development,~~ NCWorks Commission, acting as the lead agency, with the cooperation of other participating agencies, including the Department of Labor, the Department of Commerce, the Employment Security Commission, the North Carolina Community College System, The University of North Carolina, and the North Carolina Independent Colleges and Universities shall initiate the "No Adult Left Behind" Initiative (Initiative) geared toward achievement of major statewide workforce development goals. The Initiative may also include community-based nonprofit organizations that provide services or assistance in the areas of worker training, workforce development, and transitioning North Carolinians between industries in the current global labor market.

(b) The first goal of the Initiative is to increase dramatically to forty percent (40%) the percentage of North Carolinians who earn associate degrees, other two-year educational credentials, and baccalaureate degrees. Specific fields of study may be selected for the most intense efforts. The ~~Commission on Workforce Development~~ NCWorks Commission shall, as the lead agency along with the North Carolina Community College System and The University of North Carolina as key cooperating institutions, do all of the following:

…

(c) The ~~Commission on Workforce Development~~ NCWorks Commission and the other lead participating institutions may enter into contracts with other qualified organizations, especially community-based nonprofits, to carry out components of the Initiative set forth in subsection (b) of this section.

(d) The ~~Commission on Workforce Development~~ NCWorks Commission shall submit to the Governor and to the General Assembly by May 1, 2012, and annually thereafter, details of its implementation of this section that shall include at least the following:

…."

SECTION 15.11.(j) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

REPEAL STATUTES AUTHORIZING TRADE JOBS FOR SUCCESS/INITIATIVE ENDED JUNE 30, 2013

SECTION 15.12. Part 3C of Article 10 of Chapter 143B of the General Statutes is repealed.

REPEAL APPRENTICESHIP FEE

SECTION 15.13. G.S. 94-12 is repealed.

INDUSTRIAL COMMISSION/USE OF IT FUNDS

SECTION 15.14. In each year of the 2015-2017 fiscal biennium, the Industrial Commission, in consultation with the State Chief Information Officer, may use available funds in Budget Code 24611 (Fund 2200) to maintain its Consolidated Case Management System, including, but not limited to, covering the costs of related service contracts and information technology personnel.

UTILITIES COMMISSION/PUBLIC STAFF REALIGN CERTIFIED BUDGET WITH ANTICIPATED AGENCY REQUIREMENTS

SECTION 15.15.(a) No later than November 1, 2015, the Utilities Commission and Public Staff, in conjunction with the Department of Commerce and the Office of State Budget and Management, shall realign the certified budget for the following funds for each year of the 2015-2017 fiscal biennium to reflect the anticipated spending requirements for the Utilities Commission and Public Staff for each year of the 2015-2017 biennium:

Budget Code	Fund	Description
54600	5211	Utilities – Commission Staff
54600	5217	Utilities – Gas Pipelines
54600	5218	PUC Capacity Grant – ARRA
54600	5221	Utilities – Public Staff
64605	6431	Utility and Public Staff.

SECTION 15.15.(b) In realigning the certified budget for the funds described in subsection (a) of this section, the Utilities Commission and Public Staff shall prioritize eliminating unnecessary vacant positions and making line-item modifications that reflect anticipated agency requirements. The Utilities Commission and Public Staff shall not expend any funds unless they are appropriated in this act for fiscal year 2015-2016 and fiscal year 2016-2017.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 15.16.(a) G.S. 62-302(a) reads as rewritten:

"(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of regulating public utilities is a burden incident to the privilege of operating as a public utility. Therefore, for the purpose of defraying the cost of regulating public utilities, every public utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in

addition to all other fees and taxes, as provided in this section. The fees collected shall be used only to pay the expenses of the Commission and the Public Staff in regulating public utilities in the interest of the ~~public.~~public and to maintain a reasonable margin for a reserve fund. The amount of the reserve may not exceed one-half of the cost of operating the Commission and the Public Staff as reflected in the certified budget for the previous fiscal year.

It is also the policy of the State to provide limited oversight of certain electric membership corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each electric membership corporation whose principal purpose is to furnish or cause to be furnished bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as provided in this section."

SECTION 15.16.(b) Subdivisions 14.19(e1)(4), (5), (6), and (10) of S.L. 2009-451 are repealed.

SECTION 15.16.(c) G.S. 62-302, as amended by subsection (a) of this section, reads as rewritten:

"(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of regulating public utilities is a burden incident to the privilege of operating as a public utility. Therefore, for the purpose of defraying the cost of regulating public utilities, every public utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in addition to all other fees and taxes, as provided in this section. The fees collected shall be used only to pay the expenses of the Commission and the Public Staff in regulating public utilities in the interest of the public and to maintain a reasonable margin for a reserve fund. The amount of the reserve may not exceed one-half of the cost of operating the Commission and the Public Staff as reflected in the certified budget for the previous fiscal year.

It is also the policy of the State to provide limited oversight of certain electric membership corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each electric membership corporation whose principal purpose is to furnish or cause to be furnished bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as provided in this section.

(b) Public Utility Rate. –

(1) Repealed by Session Laws 2000-140, s. 56, effective July 21, 2000.

(2) Unless adjusted under subdivision (3) of this subsection, the public utility fee is a percentage of a utility's jurisdictional revenues as follows:

Noncompetitive jurisdiction revenues	0.148%
Subsection (h) competitive jurisdictional revenues	0.06%
Subsection (m) competitive jurisdictional revenues	0.05%

~~For noncompetitive jurisdictional revenues as defined in sub-subdivision (4)a. of this subsection, the public utility regulatory fee for each fiscal year is the greater of (i) a percentage rate, established by the General Assembly, of each public utility's noncompetitive jurisdictional revenues for each quarter or (ii) six dollars and twenty-five cents ($6.25) each quarter. For subsection (h) competitive jurisdictional revenues as defined in sub-subdivision (4)b. of this subsection, and subsection (m) competitive jurisdictional revenues as defined in sub-subdivision (4)c. of this subsection, the public utility regulatory fee for each fiscal year is a percentage rate established by the General Assembly of each public utility's competitive jurisdictional revenues for each quarter.~~

~~When the Commission prepares its budget request for the upcoming fiscal year, the Commission shall propose a percentage rate of the public utility regulatory fee. For fiscal years beginning in an odd-numbered year, that proposed rate shall be included in the budget message the Governor submits to the General Assembly pursuant to G.S. 143C-3-5. For fiscal years beginning in an even-numbered year, that proposed rate shall be included in a special budget message the Governor shall submit to the General Assembly. The General Assembly shall set the percentage rate of the public utility regulatory fee by law.~~

~~The percentage rate may not exceed the amount necessary to generate funds sufficient to defray the estimated cost of the operations of the Commission and the Public Staff for the upcoming fiscal year, including a reasonable margin for a reserve fund. The amount of the reserve may not exceed the estimated cost of operating the Commission and the Public Staff for the upcoming fiscal year. In calculating the amount of the reserve, the General Assembly shall consider all relevant factors that may affect the cost of operating the Commission or the Public Staff or a possible unanticipated increase or decrease in North Carolina jurisdictional revenues.~~

(3) In the first half of each calendar year, the Commission shall review the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including a reasonable margin for the reserve fund allowed under this section. In making this determination, the Commission shall consider all relevant factors that may affect the cost of operating the Commission or the Public Staff or a possible unanticipated change in competitive and noncompetitive jurisdictional revenues. If the estimated receipts provided for under this section are less than the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including the reasonable margin for the reserve fund, then ~~If the Commission, the Public Staff, or both experience a revenue shortfall,~~ the Commission ~~shall~~ may ~~implement a temporary~~increase the public utility regulatory fee ~~surcharge~~ on noncompetitive jurisdictional revenues effective for the next fiscal year.~~to avert the deficiency that would otherwise occur.~~ In no event may the ~~total~~ percentage rate of the public utility regulatory fee on noncompetitive jurisdiction revenues ~~plus any surcharge established by the Commission~~ exceed ~~twenty-five hundredths percent (0.25%).~~seventeen and one-half hundredths of one percent (0.175%). If the estimated receipts provided for under this section are more than the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including the reasonable margin for the reserve fund, then the Commission shall decrease the public utility regulatory fee on noncompetitive jurisdictional revenues effective for the next fiscal year.

(4) As used in this section:

a. "Noncompetitive jurisdictional revenues" means all revenues derived or realized from intrastate tariffs, rates, and charges approved or allowed by the Commission or collected pursuant to Commission order or rule, but not including tap-on fees or any other form of contributions in aid of construction.

b. "Subsection (h) competitive jurisdictional revenues" means all revenues derived from retail services provided by local exchange companies and competing local providers that have elected to operate under G.S. 62-133.5(h).

c. "Subsection (m) competitive jurisdictional revenues" means all revenues derived from retail services provided by local exchange companies and competing local providers that have elected to operate under G.S. 62-133.5(m).

(b1) Electric Membership Corporation Rate. – The electric membership corporation regulatory fee for each fiscal year ~~shall be a dollar amount as established by the General Assembly by law.~~is two hundred thousand dollars ($200,000).

~~When the Commission prepares its budget request for the upcoming fiscal year, the Commission shall propose the amount of the electric membership corporation regulatory fee. For fiscal years beginning in an odd-numbered year, the proposed amount shall be included in the budget message the Governor submits to the General Assembly pursuant to G.S. 143C-3-5. For fiscal years beginning in an even-numbered year, the proposed amount shall be included in a special budget message the Governor shall submit to the General Assembly.~~

~~The amount of the electric membership corporation regulatory fee proposed by the Commission may not exceed the amount necessary to defray the estimated cost of the operations of the Commission and the Public Staff for the regulation of the electric membership corporations in the upcoming fiscal year, including a reasonable margin for a reserve fund. The amount of the reserve may not exceed the estimated cost of the Commission and the Public Staff for the regulation of the electric membership corporations for the upcoming fiscal year.~~

…

(e) ~~Recovery of fee increase.~~Fee Changes. – If a utility's regulatory fee obligation is ~~increased,~~changed, the Commission shall either adjust the utility's rates to reflect the change ~~allow for the recovery of the increased fee obligation,~~ or approve the utility's request for an accounting order allowing deferral of the ~~increase~~ change in the fee obligation."

SECTION 15.16.(d) G.S. 62-302(b)(2), as amended by subsection (c) of this section, reads as rewritten:

"(2) Unless adjusted under subdivision (3) of this subsection, the public utility fee is a percentage of a utility's jurisdictional revenues as follows:

Noncompetitive jurisdiction revenues	0.148%
Subsection (h) competitive jurisdictional revenues	~~0.06%~~0.04%
Subsection (m) competitive jurisdictional revenues	~~0.05%~~0.02%"

SECTION 15.16.(e) Subsection (c) of this section is effective July 1, 2015, and applies to jurisdictional revenues earned in each quarter that begins on or after July 1, 2015. Subsection (d) of this section is effective July 1, 2016, and applies to jurisdictional revenues earned in each quarter that begins on or after July 1, 2016. The remainder of this section is effective on the date this act becomes law.

NC BIOTECHNOLOGY CENTER

SECTION 15.17.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of thirteen million six hundred thousand three hundred thirty-eight dollars ($13,600,338) for each fiscal year in the 2015-2017 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – $2,924,073;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $8,813,019; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $1,863,246.

SECTION 15.17.(b) The Center shall prioritize funding and distribution of loans over existing funding and distribution of grants.

SECTION 15.17.(c) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 15.17.(d) The Center shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

GRASSROOTS SCIENCE PROGRAM

SECTION 15.18.(a) Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of two million seven hundred forty-eight thousand four hundred twenty-nine dollars ($2,748,429) is allocated as grants-in-aid for each fiscal year of the 2015-2017 biennium as follows:

	2015-2016	**2016-2017**
Aurora Fossil Museum	$61,404	$61,404
Cape Fear Museum	$77,682	$77,682
Carolina Raptor Center	$77,642	$77,642
Catawba Science Center	$94,681	$94,681
Colburn Earth Science Museum, Inc.	$63,060	$63,060
Core Sound Waterfowl Museum	$69,313	$69,313
Cowan Museum of History and Science	$58,959	$58,959
Discovery Place	$350,247	$350,247
Discovery Place KIDS (Rockingham)	$58,000	$58,000
Eastern NC Regional Science Center	$59,720	$59,720
Fascinate-U	$66,591	$66,591
Granville County Museum Commission, Inc. – Harris Gallery	$61,003	$61,003
Greensboro Children's Museum	$83,384	$83,384
Greensboro Science Center	$138,404	$138,404
Hands On! – A Child's Gallery	$62,225	$62,225
Highlands Nature Center	$63,038	$63,038
Imagination Station	$65,853	$65,853
The Iredell Museums, Inc.	$60,850	$60,850
Kidsenses	$63,781	$63,781
Marbles Kids Museum	$157,546	$157,546
Museum of Coastal Carolina	$66,839	$66,839
North Carolina Estuarium	$62,551	$62,551
North Carolina Museum of Life and Science	$208,639	$208,639
Pisgah Astronomical Research Institute	$84,619	$84,619
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$60,959	$60,959

Rocky Mount Children's Museum	$65,438	$65,438
Schiele Museum of Natural History and Planetarium, Inc.	$102,352	$102,352
Sci Works Science Center and Environmental Park of Forsyth County	$89,194	$89,194
Sylvan Heights Waterfowl Park and Eco-Center	$71,215	$71,215
Western North Carolina Nature Center	$72,978	$72,978
Wilmington Children's Museum	$70,262	$70,262
Total	**$2,748,429**	**$2,748,429**

SECTION 15.18.(b) No later than March 1, 2016, the Department of Commerce shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) For museums that operate on a fiscal year, the actual operating budget for the 2014-2015 fiscal year. For museums that operate on a calendar year, the actual operating budget for the 2014 calendar year.

(2) The proposed operating budget for the 2015-2016 fiscal year.

(3) The total attendance at the museum during the 2015 calendar year.

SECTION 15.18.(c) No later than March 1, 2017, the Department of Commerce shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) For museums that operate on a fiscal year, the actual operating budget for the 2015-2016 fiscal year. For museums that operate on a calendar year, the actual operating budget for the 2015 calendar year.

(2) The proposed operating budget for the 2016-2017 fiscal year.

(3) The total attendance at the museum during the 2016 calendar year.

SECTION 15.18.(d) As a condition for qualifying to receive funding under this section, all of the following documentation shall, no later than November 1 of each year of the 2015-2017 fiscal biennium, be submitted for each museum under this section to the Department of Commerce for the fiscal year that most recently ended and only those costs that are properly documented under this subsection are allowed by the Department in calculating the distribution of funds under this section:

(1) Each museum under this section shall submit its IRS (Internal Revenue Service) Form 990 to show its annual operating expenses, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report.

(2) Each friends association of a museum under this section shall submit its IRS Form 990 to show its reported expenses for the museum, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report, unless the association does not have both an IRS Form 990 and an annual report available; in which case, it shall submit either an IRS Form 990 or an annual report.

(3) The chief financial officer of each county or municipal government that provides funds for the benefit of the museum shall submit a detailed signed statement of documented costs spent for the benefit of the museum that includes documentation of the name, address, title, and telephone number of the person making the assertion that the museum receives funds from the county or municipality for the benefit of the museum.

(4) The chief financial officer of each county or municipal government or each friends association that provides indirect or allocable costs that are not directly charged to a museum under this section but that benefit the museum

shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 15.18.(e) As used in subsection (d) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

SECTION 15.18.(f) Each museum listed in subsection (a) of this section shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15.19. Cleveland County ALWS Baseball, Inc., High Point Furniture Market Authority, North Carolina Arboretum, RTI International, and The Support Center shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

NC ARBORETUM/FUNDS

SECTION 15.20.(a) Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of eight hundred fifty-eight thousand three hundred eighty dollars ($858,380) in nonrecurring funds for each year of the 2015-2017 biennium shall be allocated to the North Carolina Arboretum (Arboretum) as follows:

(1) Bent Creek Institute $500,000

(2) Germplasm Repository 358,380.

SECTION 15.20.(b) The Arboretum shall, by March 1, 2016, and March 1, 2017, report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources and the Fiscal Research Division on the Arboretum's efforts to attract, grow, and support the natural and nutraceutical product industry.

FUNDS FOR THE BREVARD STATION MUSEUM

SECTION 15.21.(a) Of the funds appropriated in this act to the Department of Commerce for State Aid, the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2015-2016 fiscal year shall be allocated to the Town of Stanley to distribute to the Brevard Station Museum. These funds shall be used by the Museum to support its efforts to preserve the history of Stanley, North Carolina.

SECTION 15.21.(b) The Town of Stanley shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the Museum's prior State fiscal year 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 Museum's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

GRANT REPORTING AND MATCHING FUNDS

SECTION 16A.1.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall report by May 1 of each year to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

SECTION 16A.1.(b) Notwithstanding the provisions of G.S. 143C-6-9, the Department of Public Safety may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2015-2016 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2016-2017 fiscal year from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

CHANGE RECIPIENTS OF VICTIMS' COMPENSATION REPORT

SECTION 16A.2. G.S. 15B-21 reads as rewritten:

"**§ 15B-21. Annual report.**

The Commission shall, by March 15 each year, prepare and transmit to the ~~Governor and the General Assembly~~chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the chairs of the House and Senate Appropriations Committees on Justice and Public Safety a report of its activities in the prior fiscal year and the current fiscal year to date. The report shall include:

(1) The number of claims filed;

(2) The number of awards made;

(2a) The number of pending cases by year received;

(3) The amount of each award;

(4) A statistical summary of claims denied and awards made;

(5) The administrative costs of the Commission, including the compensation of commissioners;

(6) The current unencumbered balance of the North Carolina Crime Victims Compensation Fund;

(7) The amount of funds carried over from the prior fiscal year;

(8) The amount of funds received in the prior fiscal year from the Division of Adult Correction of the Department of Public Safety and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.; and

(9) The amount of funds expected to be received in the current fiscal year, as well as the amount actually received in the current fiscal year on the date of the report, from the Division of Adult Correction of the Department of Public Safety and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.

The Attorney General and State Auditor shall assist the Commission in the preparation of the report required by this section."

LIMITED AUTHORITY TO ELIMINATE AND RECLASSIFY CERTAIN POSITIONS

SECTION 16A.3. Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of the Department of Public Safety may reclassify or eliminate existing positions in the Division of Administration that are not specifically addressed in this act as needed for the efficient operation of the Department. No position shall be reclassified pursuant to this section solely for the purpose of providing a person in that position with a salary increase. The Secretary of the Department of Public Safety shall report any position reclassification undertaken pursuant to this section to the chairs of the House and Senate Appropriations Committees on Justice and Public Safety and the Fiscal Research Division within 30 days of the reclassification. The report shall include the position number, original title, original fund code, original budgeted salary, new title, new fund code, and new budgeted salary for each reclassified position.

SAMARCAND TRAINING ACADEMY

SECTION 16A.4. The former juvenile detention facility known as Samarkand Manor, located in Moore County, is redesignated a law enforcement and corrections training facility and assigned to the Office of the Secretary of the Department of Public Safety. The facility shall be renamed Samarcand Training Academy and shall be administered by a Director. The operating budget for Samarcand Training Academy shall be funded by the Department of Public Safety but shall be independent of the operating budget of any Division within the Department and shall be managed and administered by the Director of the Academy with oversight by the Office of the Secretary of the Department of Public Safety.

TRANSFER FROM STATEWIDE MISDEMEANANT CONFINEMENT FUND

SECTION 16A.5. There is transferred from the Statewide Misdemeanant Confinement Fund (Budget Code 24550-2325) to the General Fund the sum of two million eight hundred ninety-eight thousand seven hundred seventy-nine dollars ($2,898,779) for the 2015-2016 fiscal year.

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 16B.1.(a) Assets transferred to the Department of Justice or to the Department of Public Safety during the 2015-2017 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice and Public Safety shall make the following reports to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety:

(1) A report upon receipt of any assets.
(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.
(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 16B.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16B.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM

SECTION 16B.2. The Department of Public Safety shall report annually no later than March 1 to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the progress of the State's VIPER system.

GANGNET REPORT AND RECOMMENDATIONS

SECTION 16B.3.(a) Article 4 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-196.5. Report on gang prevention recommendations.**

The State Highway Patrol, in conjunction with the State Bureau of Investigation and the Governor's Crime Commission, shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention and shall report those recommendations to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

SECTION 16B.3.(b) G.S. 143B-1101(b) reads as rewritten:

"(b) The Governor's Crime Commission shall review the level of gang activity throughout the State and assess the progress and accomplishments of the State, and of local governments, in preventing the proliferation of gangs and addressing the needs of juveniles who have been identified as being associated with gang activity.

~~The Governor's Crime Commission shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention and shall report those recommendations to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year.~~"

STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS

SECTION 16B.4.(a) The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 16B.4.(b) The State Capitol Police shall report the creation of any position pursuant to this section to the chairs of the House of Representatives and Senate

Appropriations Committees on Justice and Public Safety and to the Fiscal Research Division within 30 days of the position's creation.

CHANGES TO EXPUNCTION AND METHAMPHETAMINE REPORTING REQUIREMENTS

SECTION 16B.5.(a) G.S. 15A-160 reads as rewritten:

"**§ 15A-160. Reporting requirement.**

The Department of Public Safety, in conjunction with the Department of Justice and the Administrative Office of the ~~Courts~~ Courts, shall report jointly to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety Oversight by September 1 of each year regarding expunctions. The report shall include all of the following information:

(1) The number and types of expunctions granted during the fiscal year in which the report is made.

(2) The number and type of expunctions granted each fiscal year for the five fiscal years preceding the date of the report.

(3) A full accounting of how the agencies have spent the receipts generated by the expunction fees received during the fiscal year in which the report is made and for the five preceding fiscal years."

SECTION 16B.5.(b) G.S. 90-113.64 reads as rewritten:

"**§ 90-113.64. SBI annual report.**

Beginning with the 2011 calendar year, the State Bureau of Investigation shall determine the number of methamphetamine laboratories discovered in the State each calendar year and report its findings to the Joint Legislative Oversight Committee on Justice and Public Safety and to the Legislative Commission on Methamphetamine Abuse by March 1, 2012, for the 2011 calendar year and each March 1 thereafter for the preceding calendar year. The State Bureau of Investigation shall participate in the High Intensity Drug Trafficking Areas (HIDTA) program, assist in coordinating the drug control efforts between local and State law enforcement agencies, and monitor the implementation and effectiveness of the electronic record-keeping requirements included in G.S. 90-113.52A and G.S. 90-113.56. The SBI shall include its findings in the report to the Commission required by this section."

CLARIFY BOXING COMMISSION FEE

SECTION 16B.6.(a) G.S. 143-655(b1) reads as rewritten:

"(b1) Admission Fees. – The Branch shall collect a fee in the amount of two dollars ($2.00) per ~~each ticket sold~~ spectator to attend events regulated in this Article."

SECTION 16B.6.(b) This section is effective on July 1, 2015, and applies to fees collected or assessed on or after that date.

SBI/ALE ASHEVILLE REGIONAL OFFICE

SECTION 16B.7. Section 17.1(aaaa) of S.L. 2014-100 reads as rewritten:

"**SECTION 17.1.(aaaa)** The Department of Public Safety shall consolidate ALE and SBI Regions and Regional Offices. The Asheville Regional Office shall be operational ~~by July 1, 2015.~~upon completion of a new facility. All other Regional Offices shall be operational by October 1, 2014."

CLARIFY HAZARDOUS MATERIALS FEE

SECTION 16B.8.(a) G.S. 166A-29.1 reads as rewritten:

"**§ 166A-29.1. Hazardous materials facility fee.**

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

(1) EPCRA. – The federal Emergency Planning and Community Right-to-Know Act, P.L. No. 99-499 et. seq.

(2) Extremely hazardous substance. – Any substance, regardless of its state, set forth in 40 C.F.R. Part 355, Appendix A or B.

(3) Hazardous chemical. – As defined in 29 C.F.R. 1910.1200(c), except that the term does not include any of the following:

a. Any food, food additive, color additive, drug, or cosmetic regulated by the Food and Drug Administration.

b. Any substance present as a solid in any manufactured item to the extent exposure to the substance does not occur under normal conditions of use.

c. Any substance to the extent that it is used for personal, family, or household purposes or is present in the same form and concentration as a product packaged for distribution and use by the public.

d. Any substance to the extent that it is used in a research laboratory or a hospital or other medical facility under the direct supervision of a technically qualified individual.

e. Any substance to the extent that it is used in routine agricultural operations or is a fertilizer held for sale by a retailer to the ultimate consumer.

(b) Annual Fee Shall Be Charged. – A person or business required under Section 302 or 312 of EPCRA to submit a notification or an annual inventory form to the Division shall be required to pay to the Department an annual fee in the amount set forth in subsection (c) of this section.

(c) Amount of Fee. – The amount of the annual fee charged pursuant to subsection (b) of this section shall be calculated in accordance with the following, up to a maximum annual amount of ~~five thousand dollars ($5,000):~~five thousand dollars ($5,000) per reporting site:

(1) A fee of fifty dollars ($50.00) shall be assessed for each substance at each site reported by a ~~facility~~ person or business that is classified as a hazardous chemical.

(2) A fee of ninety dollars ($90.00) shall be assessed for each substance at each site reported by a ~~facility~~ person or business that is classified as an extremely hazardous substance.

(d) Late Fees. – The Division may impose a late fee against a person or business for failure to submit a report or filing that substantially complies with the requirements of EPCRA by the federal filing deadline or for failure to pay any fee, including a late fee. This fee shall be in addition to the fee imposed pursuant to subsection (c) of this section. Prior to imposing a late fee, the Division shall provide the person or business who will be assessed the late fee with written notice that identifies the specific requirements that have not been met and informs the person or business of its intent to assess a late fee. The assessment of a late fee shall be subject to the following limitations:

(1) If the report filing or fee is submitted within 30 days after receipt of the Division's notice that it intends to assess a late fee, no late fee shall be assessed.

(2) If the report filing or fee has not been submitted by the end of the period set forth in subdivision (1) of this subsection, the Division may impose a late fee in an amount equal to the amount of the fee charged pursuant to subsection (c) of this section.

(e) Exemptions. – No fee shall be charged under this section to any of the following:

(1) An owner or operator of a family farm enterprise, a facility owned by a State or local government, or a nonprofit corporation.

(2) An owner or operator of a facility where motor vehicle fuels are stored and from which such fuels are offered for retail sale. However, hazardous

chemicals or extremely hazardous substances at such a facility, other than motor vehicle fuels for retail sale, shall not be subject to this exemption.

(3) A motor vehicle dealer, as that term is defined in G.S. 20-286(11).

(f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall be used for the following:

(1) To ~~pay~~ offset costs associated with the establishment and maintenance of a hazardous materials ~~database.~~database and a hazardous materials response application.

(2) To ~~support the~~ offset costs associated with the operations of the regional response program for hazardous materials emergencies and terrorist incidents.

(3) To provide grants to counties for hazardous materials emergency response planning, training, and related exercises.

(4) To offset Division costs that directly support hazardous materials emergency preparedness and response."

SECTION 16B.8.(b) This section becomes effective on July 1, 2015, and applies to fees assessed or collected on or after that date.

AMEND NATIONAL GUARD FAMILY ASSISTANCE CENTERS ANNUAL REPORT REQUIREMENTS

SECTION 16B.9. Section 1(b) of S.L. 2011-185 reads as rewritten:

"**SECTION 1.(b)** The Department of ~~Crime Control and~~ Public Safety shall report annually no later than September 1 to the Chairs of the House of Representatives and Senate Appropriations ~~Subcommittees~~ Committees on Justice and Public Safety and to the House of Representatives Committee on Homeland Security, Military, and Veterans Affairs on the activities of the National Guard Family Assistance ~~Centers.~~Centers during the previous fiscal year. This report shall include information on services provided as well as on the number and type of members of the active or reserve components of the Armed Forces of the United States, veterans, and family members served."

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 16C.1. Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2015-2017 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 annually by February 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 16C.2. 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 2015-2017 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees 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.

USE OF CLOSED FACILITIES

SECTION 16C.3. In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to this section. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

MEDICAL COSTS FOR INMATES AND JUVENILE OFFENDERS

SECTION 16C.4. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.3. Medical costs for inmates and juvenile offenders.**

(a) The Department of Public Safety shall reimburse those providers and facilities providing approved medical services to inmates and juvenile offenders outside the correctional or juvenile facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

(b) The Department of Public Safety shall make every effort to contain medical costs for inmates and juvenile offenders by making use of its own hospital and health care facilities to provide health care services to inmates and juvenile offenders. To the extent that the Department of Public Safety must utilize other facilities and services to provide health care services to inmates and juvenile offenders, the Department shall make reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates and juvenile offenders among all hospitals or other appropriate health care facilities.

(c) The Department of Public Safety shall report quarterly to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representative and Senate Appropriations Committees on Justice and Public Safety on:

(1) The percentage of the total inmates and juvenile offenders requiring hospitalization or hospital services who receive that treatment at each hospital.
(2) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.
(3) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.
(4) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.
(5) The volume of inpatient medical services provided to Medicaid-eligible inmates and juvenile offenders, the cost of treatment, and the estimated savings of paying the nonfederal portion of Medicaid for the services.
(6) The hospital utilization, including the amount paid to individual hospitals, the number of inmates and juvenile offenders served, and the number of claims."

INMATE MEDICAL SERVICES/REQUEST FOR INFORMATION

SECTION 16C.5.(a) Not later than October 1, 2015, the Department of Public Safety shall issue a Request For Information (RFI) for a contractor to provide comprehensive medical care on a statewide basis to adult inmates and juvenile offenders in the custody of the Department. For purposes of this section, the term "comprehensive medical care" includes physical health services, mental health services, dental services, and pharmacy services, as well as inpatient hospitalization, outpatient care, specialty care, emergency department, dialysis services, and standardization of electronic health information records.

SECTION 16C.5.(b) The RFI shall require responses to be due not later than 90 days after the date it is issued by the Department.

SECTION 16C.5.(c) The Department shall evaluate the responses to the RFI and report the results of that evaluation, along with any recommendations related to them, to the Joint Legislative Oversight Committee on Justice and Public Safety not later than 60 days after the final date for receipt of responses.

STATEWIDE MISDEMEANANT CONFINEMENT FUND/MONTHLY AND ANNUAL REPORTS

SECTION 16C.6.(a) The North Carolina Sheriffs' Association shall report monthly by the 15th day of each month to the Office of State Budget and Management and the Fiscal Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report shall include the following:

(1) The daily population, delineated by misdemeanant or DWI monthly housing.
(2) The cost of housing prisoners under the Program.
(3) The cost of transporting prisoners under the Program.
(4) Personnel costs.
(5) Inmate medical care costs.
(6) The number of counties that volunteer to house inmates under the Program.
(7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

SECTION 16C.6.(b) The North Carolina Sheriffs' Association shall report by October 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight

Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement Program. The annual report shall include the following with respect to the prior fiscal year:

(1) Revenue collected by the Statewide Misdemeanant Confinement Program.
(2) The cost of housing prisoners by county under the Program.
(3) The cost of transporting prisoners by county under the Program.
(4) Personnel costs by county.
(5) Inmate medical care costs by county.
(6) The number of counties that volunteer to house inmates under the Program.
(7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.7. Notwithstanding G.S. 66-58 or any other provision of law, during the 2015-2017 fiscal biennium, the State Construction Office may, wherever feasible, utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects.

MAINTENANCE OF PRISONS

SECTION 16C.8. The Department of Public Safety shall not expand private maintenance contracts to additional prison facilities or continue existing private contracts for prison maintenance unless authorized by the General Assembly. If the Department determines that expanding private maintenance contracts to additional prison facilities or continuing existing contracts is necessary, then it shall submit its request to the General Assembly by May 1, 2016, stating (i) the ways in which the State can realize savings by doing so and (ii) that safety can be maintained at the facilities where those contracts are expanded or continued.

DETER INMATE ACCESS TO CELL PHONES

SECTION 16C.9. The Department of Public Safety, Division of Adult Correction, may use funds available to fund enhanced prison security technology to deter illegal access of cell phones by inmates in the State's prison system. The Division of Adult Correction is encouraged to identify non-General Fund sources of funds, including federal and foundation grants and other receipts, to achieve this purpose.

REPORT ON CONTRACTS FOR HOUSING STATE PRISONERS/REPEAL AUTHORIZATION FOR LEASE-PURCHASE OF PRISON FACILITIES FROM PRIVATE FIRMS

SECTION 16C.10.(a) G.S. 148-37(i) reads as rewritten:

"(i) The Division of Adult Correction of the Department of Public Safety shall make a written report no later than March 1 of every ~~odd-numbered~~ year, beginning in 1997, on the substance of all outstanding contracts for the housing of State prisoners entered into under the authority of this section. The report shall be submitted to ~~the Council of State, the Department of Administration, the Joint Legislative Commission on Governmental Operations, and~~ the Joint Legislative Oversight Committee on Justice and Public Safety. ~~In addition to the report, the Division of Adult Correction of the Department of Public Safety shall provide information on contracts for the housing of State prisoners as requested by these groups.~~"

SECTION 16C.10.(b) G.S. 148-37.2 is repealed.

ANNUAL REPORT ON SAFEKEEPERS

SECTION 16C.11. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.4. Annual report on safekeepers.**

The Department of Public Safety shall report by October 1 of each year to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on county prisoners housed in the State prison system pursuant to safekeeping orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or inadequate county facilities. The report shall include:

(1) The number of safekeepers currently housed by the Department.

(2) A list of the facilities where safekeepers are housed and the population of safekeepers by facility.

(3) The average length of stay by a safekeeper in one of those facilities.

(4) The amount paid by counties for housing and extraordinary medical care of safekeepers.

(5) A list of the counties in arrears for safekeeper payments owed to the Department at the end of the fiscal year.

COLLECTION OF DELINQUENT SAFEKEEPER REIMBURSEMENTS

SECTION 16C.12. G.S. 148-10.4 is amended by adding a new subsection to read:

"(f) Upon notification from the Division of Adult Correction that an amount owed by a county for safekeeper reimbursements authorized under G.S. 162-39 is more than 120 days overdue, the Sheriffs' Association shall withhold funds from any reimbursements due to a county under this section and transmit those funds to the Division until that overdue safekeeper reimbursement is satisfied."

PRISON BEHAVIORAL HEALTH POSITIONS

SECTION 16C.13. Notwithstanding any other provision of law, the Section of Prisons of the Division of Adult Correction may post, advertise, accept applications for, and interview for positions established or authorized by this act related to behavioral health treatment prior to the effective date of the establishment of those positions.

PAROLE ELIGIBILITY REPORT

SECTION 16C.14. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-721.1. Parole eligibility reports.**

(a) Each fiscal year the Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Public Safety, analyze the amount of time each inmate who is eligible for parole on or before July 1 of the previous fiscal year has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

(1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.

(2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of

G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

(3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

(c) The Post-Release Supervision and Parole Commission shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety by April 1 of each year. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled."

PROBATION AND PAROLE VEHICLES

SECTION 16C.15.(a) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(8) General Services:

…

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

…

3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles (i) under the ownership, custody or control of the Highway Patrol, the State Bureau of Investigation, or the constituent institutions of The University of North Carolina which are used primarily for law-enforcement ~~purposes.~~ purposes; or (ii) under the ownership, custody, or control of the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety that are used primarily for supervising offenders who have been placed on probation, parole, post-release supervision, or other community-based programs.

…."

SECTION 16C.15.(b) All vehicles exempted from motor fleet requirements under G.S. 143-341(8)i.3.(ii), as enacted by subsection (a) of this section, that are assigned to probation and parole positions in the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety and housed with the Department of

Administration as of June 30, 2015, are transferred to the Department of Public Safety effective July 1, 2015.

SECTION 16C.15.(c) Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.5. Probation and parole vehicles.**

The Department of Public Safety shall be responsible for insuring, maintaining, and replacing as needed all vehicles under the ownership, custody, or control of the Section of Community Corrections of the Division of Adult Correction and exempted from the motor fleet requirements under G.S. 143-341(8)i.3.(ii) for use as probation and parole vehicles. The Department may contract with private vendors for the maintenance and upfitting of those vehicles or it may use resources within the Department for those purposes if the costs are equivalent or cost savings may be realized by doing so. The Department shall report annually to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of vehicles being used as probation and parole vehicles, the replacement schedule for those vehicles, and the costs of fueling, insuring, and maintaining those vehicles."

SECTION 16C.15.(d) The Department of Administration shall transfer from the Motor Fleet Fund to the Department of Public Safety up to the sum of ten million one hundred twenty-one thousand sixty-nine dollars ($10,121,069) during the 2015-2017 biennium for the purchase of vehicles for probation and parole officers.

SECTION 16C.15.(e) The Department of Public Safety may use funds appropriated to the Department for probation and parole vehicles to create new positions within the Department for the support and maintenance of those vehicles if it finds, pursuant to its authority under G.S. 143B-707.5, as enacted by subsection (c) of this section, that the costs are equivalent or that cost savings may be realized by using Department resources rather than contracting with private vendors. The Department shall report by July 1, 2016, to chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on any positions created pursuant to this subsection.

INTERSTATE COMPACT FEES TO SUPPORT OPERATING NEEDS

SECTION 16C.16. G.S. 148-65.7(a) reads as rewritten:

"(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of two hundred fifty dollars ($250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

All fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used ~~only~~ to support administration of the Interstate ~~Compact.~~ Compact and operational costs for the Section of Community Corrections of the Division of Adult Correction.

The Interstate Compact Fund is established within the Division of Adult Correction of the Department of Public Safety as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Division of Adult Correction of the Department of Public Safety pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Division of Adult Correction

of the Department of Public Safety for the administration of the Interstate ~~Compact.~~ Compact and operational costs for the Section of Community Corrections."

SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 16D.1.(a) Funds appropriated in this act to the Department of Public Safety for the 2015-2017 fiscal biennium for community program contracts that are not required for or used for community program contracts shall only be used for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 16D.1.(b) Under no circumstances shall funds appropriated by this act to the Department of Public Safety for the 2015-2017 fiscal biennium for community programs be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 16D.1.(c) The Department of Public Safety shall submit an electronic report by October 1, 2015, and a second electronic report by October 1, 2016, on all expenditures made from the miscellaneous contract line in Fund Code 1230 to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16D.2. Funds appropriated in this act to the Department of Public Safety for each fiscal year of the 2015-2017 fiscal biennium may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Public Safety regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Public Safety shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2015-2016 fiscal year, the amount of funds anticipated for the 2016-2017 fiscal year, and the allocation of funds by program and purpose.

PART XVII. DEPARTMENT OF JUSTICE

NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE CRIME LABORATORY

SECTION 17.1. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel, but as vacant positions in the State Crime Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the North Carolina Criminal Justice Education and Standards Commission.

AMEND DNA DATABASE REPORTING REQUIREMENTS

SECTION 17.2. G.S. 15A-266.5(c) reads as rewritten:

"(c) The Crime Laboratory shall report annually to ~~the Joint Legislative Commission on Governmental Operations and to~~ the Joint Legislative Oversight Committee on Justice and Public Safety, on or before ~~February 1,~~September 1, with information for the previous ~~calendar~~ fiscal year, which shall include: a summary of the operations and expenditures relating to the DNA Database and DNA Databank; the number of DNA records from arrestees entered; the number of DNA records from arrestees that have been expunged; and the number of DNA arrestee matches or hits that occurred with an unknown sample, and how many of those have led to an arrest and conviction; and how many letters notifying defendants that a record and sample have been expunged, along with the number of days it took to complete the expunction and notification process, from the date of the receipt of the verification form from the State."

COLLECT DNA/ALL VIOLENT FELONY ARRESTS

SECTION 17.3.(a) G.S. 15A-266.3A(f) reads as rewritten:

"(f) This section shall apply to a person arrested for violating any one of the following offenses in Chapter 14 of the General Statutes:

(1) G.S. 14-16.6(b), Assault with a deadly weapon on executive, legislative, or court officer; and G.S. 14-16.6(c), Assault inflicting serious bodily injury on executive, legislative, or court officer.

(1a) G.S. 14-17, First and Second Degree Murder.

(2) G.S. 14-18, Manslaughter.

(2a) Any felony offense in Article 6A, Unborn Victims.

(3) Any offense in Article 7A, Rape and Other Sex Offenses.

(4) G.S. 14-28, Malicious castration; G.S. 14-29, Castration or other maiming without malice aforethought; G.S. 14-30, Malicious maiming; G.S. 14-30.1, Malicious throwing of corrosive acid or alkali; G.S. 14-31, Maliciously assaulting in a secret manner; G.S. 14-32, Felonious assault with deadly weapon with intent to kill or inflicting serious injury; ~~G.S. 14-32.4(a),~~G.S. 14-32.1(e), Aggravated assault or assault and battery on handicapped person; G.S. 14-32.2(a) when punishable pursuant to G.S. 14-32.2(b)(1), Patient abuse and neglect, intentional conduct proximately causes death; G.S. 14-32.3(a), Domestic abuse of disabled or elder adults resulting in injury; G.S. 14-32.4, Assault inflicting serious bodily ~~injury;~~injury or injury by strangulation; G.S. 14-33.2, Habitual misdemeanor assault; G.S. 14-34.1, Discharging certain barreled weapons or a firearm into occupied property; G.S. 14-34.2, Assault with a firearm or other deadly weapon upon governmental officers or employees, company police officers, or campus police officers; G.S. 14-34.4, Adulterated or misbranded food, drugs, etc.; intent to cause serious injury or death; intent to

extort; G.S. 14-34.5, Assault with a firearm on a law enforcement, probation, or parole officer or on a person employed at a State or local detention facility; G.S. 14-34.6, Assault or affray on a firefighter, an emergency medical technician, medical responder, emergency department nurse, or emergency department physician; ~~and~~ G.S. 14-34.7, Assault inflicting serious injury on a law enforcement, probation, or parole officer or on a person employed at a State or local detention ~~facility.~~facility; G.S. 14-34.9, Discharging a firearm from within an enclosure; and G.S. 14-34.10, Discharge firearm within enclosure to incite fear.

(5) Any offense in Article 10, Kidnapping and Abduction, or Article 10A, Human Trafficking.

(5a) Any offense in Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material.

(6) G.S. 14-51, First and second degree burglary; G.S. 14-53, Breaking out of dwelling house burglary; G.S. 14-54(a1), Breaking or entering buildings with intent to terrorize or injure; G.S. 14-54.1, Breaking or entering a place of religious worship; and G.S. 14-57, Burglary with explosives.

(7) Any offense in Article 15, Arson.

(8) G.S. 14-87, Armed ~~robbery.~~robbery; Common law robbery punishable pursuant to G.S. 14-87.1; and G.S. 14-88, Train robbery.

(8a) G.S. 14-163.1(a1), Assaulting a law enforcement agency animal, an assistance animal, or a search and rescue animal willfully killing the animal.

(9) Any offense which would require the person to register under the provisions of Article 27A of Chapter 14 of the General Statutes, Sex Offender and Public Protection Registration Programs.

(10) G.S. 14-196.3, Cyberstalking.

(10a) G.S. 14-202, Secretly peeping into room occupied by another person.

(10b) G.S. 14-258.2, Possession of dangerous weapon in prison resulting in bodily injury or escape; G.S. 14-258.3, Taking of hostage, etc., by prisoner; and G.S. 14-258.4, Malicious conduct by prisoner.

(11) G.S. 14-277.3A, Stalking.

(12) G.S. 14-288.9, Assault on emergency personnel with a dangerous weapon or substance.

(13) G.S. 14-288.21, Unlawful manufacture, assembly, possession, storage, transportation, sale, purchase, delivery, or acquisition of a nuclear, biological, or chemical weapon of mass destruction; exceptions; and G.S. 14-288.22, Unlawful use of a nuclear, biological, or chemical weapon of mass destruction.

(14) G.S. 14-318.4(a), Child abuse inflicting serious injury and G.S. 14-318.4(a3), Child abuse inflicting serious bodily injury.

(15) G.S. 14-360(a1), Cruelty to animals; maliciously kill by intentional deprivation of necessary sustenance; and G.S. 14-360(b), Cruelty to animals; maliciously torture, mutilate, maim, cruelly beat, disfigure, poison, or kill.

(16) G.S. 14-401.22(e), Attempt to conceal evidence of non-natural death by dismembering or destroying remains."

SECTION 17.3.(b) This section becomes effective December 1, 2015, and applies to arrests occurring on or after that date.

DEPARTMENT OF JUSTICE POSITIONS

SECTION 17.4. Notwithstanding any other provision of law, the Department of Justice may post, advertise, accept applications for, and interview for positions established or

authorized by this act in the Department of Justice prior to the effective date of the establishment of those positions.

STUDY THE IMPLEMENTATION AND USE OF BODY WORN CAMERAS BY LOCAL AND STATE LAW ENFORCEMENT OFFICERS

SECTION 17.5.(a) Definition. – The term "body-worn camera" means an operational video camera, including a microphone or other mechanism for allowing audio capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the video camera to capture interactions the law enforcement officer has with the public.

SECTION 17.5.(b) Study. – The Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission, in consultation with the School of Government at the University of North Carolina at Chapel Hill, the North Carolina Conference of District Attorneys, and any other organizations the Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission jointly determine may assist with the completion of the study required under this section, shall jointly study the implementation and use of body-worn cameras by local and State law enforcement officers. The study shall consider all of the following:

(1) The feasibility of equipping all law enforcement officers with a body-worn camera, including (i) identifying costs that would be incurred by State and local law enforcement agencies, (ii) funding options available to State and local law enforcement agencies for the procurement of body-worn cameras, and (iii) whether the use of body-worn cameras should be restricted to certain types of law enforcement officers.

(2) The type and intensity of training a law enforcement officer should receive prior to using a body-worn camera.

(3) The best practices and procedures for recording, including an identification of (i) situations when the law enforcement officer should activate the body-worn camera to record and (ii) situations in which the law enforcement officer should deactivate the body-worn camera or seek permission prior to recording.

(4) The best practices and procedures for retaining and storing any recordings captured by body-worn cameras, including (i) the costs of retention and storage, (ii) the types of recordings that should be retained and stored, and (iii) the standard retention and storage schedules for the different types of recordings.

(5) The level of public access which should be allowed to recordings captured by body-worn cameras, including any legislative changes necessary to allow public access.

(6) Any potential constitutional or other legal issues that may arise from the use of body-worn cameras by law enforcement officers.

(7) Any other matters or information the Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission jointly deem relevant to the study.

SECTION 17.5.(c) Report. – The Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission shall jointly report their findings and recommendations, including any legislative proposals, by May 1, 2016, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. ADMINISTRATIVE OFFICE OF THE COURTS

AOC ANNUAL REPORT

SECTION 18A.1. G.S. 7A-343 reads as rewritten:

"**§ 7A-343. Duties of Director.**

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

…

(8) Prepare and submit an annual report on the work of the Judicial Department to the Chief Justice, and transmit a copy by March 15 of each year to the Chairs of the House of Representatives and Senate Appropriations ~~Subcommittee~~ Committees on Justice and Public Safety ~~and the Senate Appropriations Committee on Justice and Public Safety~~ and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

…."

CONSOLIDATE BUSINESS COURT REPORTS

SECTION 18A.2. G.S. 7A-343(8a) is repealed.

ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS

SECTION 18A.3. Article 29 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-350. Annual report on criminal court cost waivers.**

The Administrative Office of the Courts shall maintain records of all cases in which a judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year. The report shall aggregate the waivers by the district in which the waiver or waivers were granted and by the name of each judge granting a waiver or waivers."

GRANT FUNDS

SECTION 18A.4. Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars ($1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 18A.5. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 18A.6. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2015-2017 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

CONFERENCE OF DISTRICT ATTORNEY GRANT FUNDS

SECTION 18A.7. Section 18B.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.4.** Of the funds appropriated in this act to the Judicial Department, the sum of five hundred thousand dollars ($500,000) in the 2013-2014 fiscal year shall be allocated to the Conference of District Attorneys and shall be used to establish a grant fund to provide district attorneys across the State with the resources to obtain toxicology analysis from local hospitals on persons charged with driving while impaired whose conduct did not result in serious injury or death to others. The Conference of District Attorneys shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety ~~by October 1, 2014,~~ on the expenditure of these ~~funds.~~funds by October 1 of each year until all of the grant funds have been expended."

DISTRICT ATTORNEY LEGAL ASSISTANTS

SECTION 18A.8.(a) G.S. 7A-347 reads as rewritten:

"**§ 7A-347. ~~Assistants for administrative and victim and witness services.~~District attorney legal assistants.**

~~Assistant for administrative and victim and witness services~~ District attorney legal assistant positions are established under the district attorneys' offices. Each prosecutorial district is allocated at least one ~~assistant for administrative and victim and witness services~~ district attorney legal assistant to be employed by the district attorney. The Administrative Office of the Courts shall allocate additional assistants to prosecutorial districts on the basis of need and within available appropriations. Each district attorney may also use any volunteer or other personnel to assist the assistant. The assistant is responsible for coordinating efforts of the law-enforcement and judicial systems to assure that each victim and witness is provided fair treatment under Article 45 of Chapter 15A, Fair Treatment for Victims and Witnesses and shall also provide administrative and legal support to the district attorney's office."

SECTION 18A.8.(b) G.S. 7A-348 reads as rewritten:

"**§ 7A-348. Training and supervision of ~~assistants for administrative and victim and witness services.~~district attorney legal assistants.**

Pursuant to the provisions of G.S. 7A-413, the Conference of District Attorneys shall:

(1) Assist in establishing uniform statewide training for ~~assistants for administrative and victim and witness services;~~district attorney legal assistants; and

(2) Assist in the implementation and supervision of this program."

SECTION 18A.8.(c) G.S. 15A-826 reads as rewritten:

"**§ 15A-826. ~~Assistants for administrative and victim and witness services.~~District attorney legal assistants.**

In addition to providing administrative and legal support to the district attorney's office, ~~assistants for administrative and victim and witness services~~district attorney legal assistants are responsible for coordinating efforts within the law-enforcement and judicial systems to assure that each victim and witness is treated in accordance with this Article."

REPORT ON DISMISSALS DUE TO DELAY IN ANALYSIS OF EVIDENCE

SECTION 18A.9. Whenever a criminal case is dismissed as a direct result of a delay in the analysis of evidence by the State Crime Laboratory, the district attorney for the district in which the case was dismissed shall report that dismissal and the facts surrounding it

to the Conference of District Attorneys. The Conference of District Attorneys shall compile any such reports of dismissals and shall report them quarterly starting October 30, 2015, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18A.10.(a) G.S. 7A-60 reads as rewritten:

"**§ 7A-60. District attorneys and prosecutorial districts.**

…

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties ~~and the number of full-time assistant district attorneys~~ set forth in the following table:

Prosecutorial District	Counties	~~No. of Full-Time Asst. District Attorneys~~
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	~~11~~
2	Beaufort, Hyde, Martin, Tyrrell, Washington	~~8~~
3A	Pitt	~~11~~
3B	Carteret, Craven, Pamlico	~~12~~
4	Duplin, Jones, Onslow, Sampson	~~18~~
5	New Hanover, Pender	~~18~~
6	Bertie, Halifax, Hertford, Northampton	~~10~~
7	Edgecombe, Nash, Wilson	~~18~~
8	Greene, Lenoir, Wayne	~~14~~
9	Franklin, Granville, Vance, Warren	~~10~~
9A	Person, Caswell	~~6~~
10	Wake	~~41~~
11A	Harnett, Lee	~~9~~
11B	Johnston	~~10~~
12	Cumberland	~~23~~
13	Bladen, Brunswick, Columbus	~~13~~
14	Durham	~~18~~
15A	Alamance	~~11~~
15B	Orange, Chatham	~~10~~
16A	Scotland, Hoke	~~7~~
16B	Robeson	~~12~~
16C	Anson, Richmond	~~6~~
17A	Rockingham	~~7~~
17B	Stokes, Surry	~~8~~
18	Guilford	~~32~~
19A	Cabarrus	~~9~~
19B	Montgomery, Randolph	~~9~~
19C	Rowan	~~8~~
19D	Moore	~~5~~

20A		~~5~~
	Stanly	
20B	Union	~~10~~
21	Forsyth	~~25~~
22A	Alexander, Iredell	~~11~~
22B	Davidson, Davie	~~11~~
23	Alleghany, Ashe, Wilkes, Yadkin	~~8~~
24	Avery, Madison, Mitchell, Watauga, Yancey	~~7~~
25	Burke, Caldwell, Catawba	~~18~~
26	Mecklenburg	~~58~~
27A	Gaston	~~14~~
27B	Cleveland, Lincoln	~~11~~
28	Buncombe	~~14~~
29A	McDowell, Rutherford	~~7~~
29B	Henderson, Polk, Transylvania	~~8~~
30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain.	~~10~~

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the~~The Administrative Office of the Courts shall report by March 15 of each year on its ~~recommendations regarding the~~ allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts ~~recommends to be~~has allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each ~~recommended~~ allocation is based. Any reports required under this subsection shall be made to ~~the Joint Legislative Commission of Governmental Operations,~~ the House of Representatives and Senate Appropriations ~~Subcommittees~~Committees on Justice and Public, and the Fiscal Research Division.

…."

SECTION 18A.10.(b) The Administrative Office of the Courts, in conjunction with the National Center for State Courts and the Conference of District Attorneys, shall revisit the workload formula used to determine the allocation of assistant district attorneys under G.S. 7A-60 and determine whether any adjustments should be made to the formula. The Administrative Office of the Courts shall report by May 1, 2016, to the chairs of the Joint Legislative Committee on Justice and Public Safety and the chairs of House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the conclusions reached about the workload formula and any recommendations for adjustments.

AMEND COURT COSTS

SECTION 18A.11. G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

…

~~(2b) For the maintenance of misdemeanors in county jails, the sum of eighteen dollars ($18.00) in the district court to be remitted to the Statewide Misdemeanor Confinement Fund in the Division of Adult Correction of the Department of Public Safety.~~

…

(4) For support of the General Court of Justice, the sum of ~~one hundred twenty-nine dollars and fifty cents ($129.50)~~ one hundred forty-seven dollars and fifty cents ($147.50) in the district court, including cases before a magistrate, and the sum of one hundred fifty-four dollars and fifty cents ($154.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

…

(4b) ~~To provide for contractual services to reduce county jail populations,~~ For additional support of the General Court of Justice, the sum of fifty dollars ($50.00) for all offenses arising under Chapter 20 of the General Statutes and resulting in a conviction of an improper equipment offense, to be remitted to the ~~Statewide Misdemeanor Confinement Fund in the Division of Adult Correction of the Department of Public Safety.~~State Treasurer.

…."

AMEND CERTIFICATE OF RELIEF/FEE

SECTION 18A.12.(a) G.S. 15A-173.2(a) reads as rewritten:

"(a) An individual who is convicted of ~~no more than two Class G, H, or I felonies or misdemeanors in one session of court, and who has no other convictions for a felony or misdemeanor other than a traffic violation,~~criminal offenses no higher than a Class G felony may petition the court where the individual was convicted of his or her most serious offense for a Certificate of Relief relieving collateral consequences as permitted by this Article. Except as otherwise provided in this subsection, after payment by the petitioner of the fee required by G.S. 7A-313.2, the petition shall be heard by the senior resident superior court judge if the convictions were in superior court, or the chief district court judge if the convictions were in district court. The senior resident superior court judge and chief district court judge in each district may delegate their authority to hold hearings and issue, modify, or revoke Certificates of Relief to judges, clerks, or magistrates in that district."

SECTION 18A.12.(b) Article 28 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-313.2. Certificate of relief fee.**

A person who petitions the court for a Certificate of Relief pursuant to Article 6 of this Chapter shall pay an administrative fee of fifty dollars ($50.00) at the time of the filing of the petition. The fee shall be remitted to the State Treasurer for support of the General Court of Justice."

SECTION 18A.12.(c) This section becomes effective October 1, 2015, and applies to certificates issued on or after that date.

FAMILY COURT PROGRAMS

SECTION 18A.13. The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the chairs of the House of Representatives and Senate Appropriations Committee on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety by March 1 of each year.

SPECIALTY COURTS/USE CLERK OF COURT PERSONNEL AND RESOURCES

SECTION 18A.14. Article 14 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-146.1. Specialty sessions of court; use of clerk of court personnel and resources.**

Upon the request of a clerk of court or district attorney, or upon the judge's own initiative, a chief district court judge may, pursuant to the judge's authority under G.S. 7A-146(7) to arrange sessions for the trial of specialized cases, authorize the establishment in the district court district of the holding of sessions of court in which related specialized cases or matters are adjudicated, including the holding of family court, drug treatment court, veterans' court, DWI court, mental health court, or any other innovative use of a session of court. With the consent of the clerk of superior court, the court may make use of the personnel and resources of the clerk's office to administer these specialty sessions."

COMPENSATION OF COURT REPORTERS

SECTION 18A.15. Section 18B.21A of S.L. 2013-360 is repealed.

INNOCENCE INQUIRY COMMISSION

SECTION 18A.16. G.S. 15A-1462 reads as rewritten:

"**§ 15A-1462. Commission established.**

(a) There is established the North Carolina Innocence Inquiry Commission. The North Carolina Innocence Inquiry Commission shall be an independent commission under the ~~Judicial Department~~ Administrative Office of the Courts for administrative purposes.

(b) The Administrative Office of the Courts shall provide administrative support to the Commission as needed. The Director of the Administrative Office of the Courts shall not reduce or modify the budget of the Commission or use funds appropriated to the Commission without the approval of the Commission. The Administrative Office of the Courts shall conduct an annual audit of the Commission."

TRANSFER OFFICE OF INDIGENT DEFENSE SERVICES TO THE ADMINISTRATIVE OFFICE OF THE COURTS

SECTION 18A.17. G.S. 7A-498.2 reads as rewritten:

"**§ 7A-498.2. Establishment of Office of Indigent Defense Services.**

(a) The Office of Indigent Defense Services, which is administered by the Director of Indigent Defense Services and includes the Commission on Indigent Defense Services and the Sentencing Services Program established in Article 61 of this Chapter, is created within the ~~Judicial Department.~~ Administrative Office of the Courts. As used in this Article, "Office" means the Office of Indigent Defense Services, "Director" means the Director of Indigent Defense Services, and "Commission" means the Commission on Indigent Defense Services.

(b) The Office of Indigent Defense Services shall exercise its prescribed powers independently of the head of the Administrative Office of the Courts. The Office may enter into contracts, own property, and accept funds, grants, and gifts from any public or private source to pay expenses incident to implementing its purposes.

(c) The Director of the Administrative Office of the Courts shall provide general administrative support to the Office of Indigent Defense Services. The term "general administrative support" includes purchasing, payroll, and similar administrative services.

(d) The budget of the Office of Indigent Defense Services shall be a part of the ~~Judicial Department's budget.~~ budget of the Administrative Office of the Courts. The Commission on Indigent Defense Services shall consult with the Director of the Administrative Office of the Courts, who shall assist the Commission in preparing and presenting to the General Assembly the Office's budget, but the Commission shall have the final authority with respect to preparation of the Office's budget and with respect to representation of matters pertaining to the Office before the General Assembly. The Administrative Office of the Courts shall conduct an annual audit of the budget of the Office of Indigent Defense Services.

(e) The Director of the Administrative Office of the Courts shall not reduce or modify the budget of the Office of Indigent Defense Services or use funds appropriated to the Office without the approval of the Commission."

STUDY FUTURE OF INDIGENT DEFENSE SERVICES COMMISSION AND INNOCENCE INQUIRY COMMISSION

SECTION 18A.18. The Legislative Research Commission shall study:

(1) The Office of Indigent Defense Services and determine whether changes should be made to the ways in which appropriated funds are used to provide legal assistance and representation to indigent persons.

(2) The North Carolina Innocence Inquiry Commission and determine whether changes should be made to the way in which the Commission investigates and determines credible claims of factual innocence made by criminal defendants.

The Legislative Research Commission shall report its findings and recommendations, including any proposed legislation, to the 2015 General Assembly when it reconvenes in 2016.

SUBPART XVIII-B. OFFICE OF INDIGENT DEFENSE SERVICES

INDIGENT DEFENSE SERVICES ANNUAL REPORT DATE CHANGE

SECTION 18B.1. G.S. 7A-498.9 reads as rewritten:

"**§ 7A-498.9. Annual report on Office of Indigent Defense Services.**

The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives ~~Subcommittee~~and Senate Committees on Justice and Public Safety ~~and the Senate Appropriations Committee on Justice and Public Safety~~ by ~~February 1~~ March 15 of each year on the following:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense services, including the capital case program;

(3) Plans for changes in rules, standards, or regulations in the upcoming year; and

(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices."

OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 18B.2. Notwithstanding G.S. 143C-6-9, during the 2015-2017 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 and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

REPORTS ON CRIMINAL CASE INFORMATION SYSTEM

SECTION 18B.3. Section 18B.10 of S.L. 2014-100, as amended by Section 18A.2 of S.L. 2013-360, reads as rewritten:

"**SECTION 18B.10.** The Administrative Office of the Courts, in consultation with the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Administrative Office of the Courts for the 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to develop or acquire and to implement a component of the Department's criminal case information system for use by public defenders no later than February 1, 2015. The Administrative Office of the Courts shall make ~~an interim report~~ interim reports on the development and implementation of this system by February 1, 2014, and July 1, 2015, and ~~a final report on the completed implementation of the system by July 1, 2015,~~ by February 1 of each year through the completed implementation of the system to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives and Senate Appropriations ~~Subcommittee~~ Committees on Justice and Public ~~Safety and the Senate Appropriations Committee on Justice and Public~~ Safety."

STUDY EFFICIENCY OF ESTABLISHING A SYSTEM OF AUTOMATED KIOSKS IN LOCAL CONFINEMENT FACILITIES TO ALLOW ATTORNEYS REPRESENTING INDIGENT DEFENDANTS TO CONSULT WITH THEIR CLIENTS REMOTELY

SECTION 18B.4.(a) The Office of Indigent Defense Services shall study and determine whether savings can be realized through the establishment of a system of fully automated kiosks in local confinement facilities to allow attorneys representing indigent defendants to consult with their clients remotely. The system would incorporate technology through which meetings between attorneys and their clients cannot be monitored or recorded.

SECTION 18B.4.(b) The Office of Indigent Defense Services shall report its findings and recommendations, including recommendations of at least two potential pilot sites for the proposed system, to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2016.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

TECHNICAL CORRECTIONS RELATING TO ROANOKE ISLAND COMMISSION LEGAL COUNSEL AND USS NORTH CAROLINA BATTLESHIP REPAIRS

SECTION 19.1.(a) G.S. 143B-131.7 is repealed.

SECTION 19.1.(b) Section 36.10 of S.L. 2014-100 reads as rewritten:

"**SECTION 36.10.** The General Assembly authorizes USS North Carolina Battleship hull and cofferdam repairs to be funded at a maximum cost of thirteen million dollars ($13,000,000) in accordance with this section. The sum of three million dollars ($3,000,000) of the proceeds of bonds issued pursuant to Section 36.12(f)(7) of this act shall be used for this project. The remainder of the project shall be funded with receipts or from other non-General Fund sources

available to the Department of Cultural Resources, and those funds are hereby appropriated for that purpose."

PART XX. DEPARTMENT OF INSURANCE

INSURANCE REGULATORY CHARGE

SECTION 20.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2016 calendar year.

PART XXI. DEPARTMENT OF THE STATE TREASURER

UPDATE ORBIT RETIREMENT SYSTEM

SECTION 21.1. The Department of State Treasurer, Retirement Systems Division, may use funds from receipts up to eight hundred fifty thousand dollars ($850,000) for the purpose of upgrading the Online Retirement Benefits through Integrated Technology self-service retirement system.

PART XXII. OFFICE OF ADMINISTRATIVE HEARINGS

WAYNESVILLE ADMINISTRATIVE LAW JUDGE

SECTION 22.1. The Office of Administrative Hearings shall identify office space for the administrative law judge to be located in the Town of Waynesville. In selecting office space, the Office of Administrative Hearings will only consider locations that do not impose a financial burden to the State. The Office is authorized to identify other State-owned properties in the town and work with State officials to locate office space that satisfies the requirements of this section. The Office of Administrative Hearings may provide support staff for the administrative law judge to be located in the Town of Waynesville; provided, there is no financial burden to the State as a result.

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT

SYMPHONY CHALLENGE GRANT

SECTION 23.1.(a) Of the funds appropriated in this act to the Office of State Budget and Management, Special Appropriations, the sum of two million dollars ($2,000,000) in nonrecurring funds for the 2015-2016 fiscal year and the sum of two million dollars ($2,000,000) in nonrecurring funds for the 2016-2017 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least nine million dollars ($9,000,000) in non-State funds for the 2015-2016 fiscal year and at least nine million dollars ($9,000,000) in non-State funds for the 2016-2017 fiscal year. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

SECTION 23.1.(b) For the 2015-2016 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in

non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of nine million dollars ($9,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2015-2016 fiscal year.

SECTION 23.1.(c) For the 2016-2017 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of nine million dollars ($9,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2016-2017 fiscal year.

HOSPITAL MEDICAL RESIDENCIES

SECTION 23.2. It is the intent of the General Assembly to appropriate funds in the 2016-2017 fiscal year to be allocated if Cape Fear Valley Hospital is granted a rural reclassification by the federal government, and the Centers for Medicare and Medicaid Services grants additional residency slots to be reimbursed with Graduate Medical Education residency payments. The Office of State Budget and Management shall monitor whether the reclassification and additional residency slots described in this section have been achieved by June 30, 2016.

PART XXIV. DEPARTMENT OF MILITARY VETERANS

ESTABLISH DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

CREATION OF DEPARTMENT

SECTION 24.1.(a) The Department of Military and Veterans Affairs is established as a new executive department. All functions, powers, duties, and obligations vested in the following agencies are transferred to, vested in, and consolidated within the Department of Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:

(1) The following components of the Department of Administration:

a. The Veterans' Affairs Commission.

b. The Governor's Jobs for Veterans Committee.

c. The Division of Veterans Affairs.

(2) The North Carolina Military Affairs Commission in the Office of the Governor.

SECTION 24.1.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 14.

"Department of Military and Veterans Affairs.

"Part 1. General Provisions.

"**§ 143B-1210. Organization.**

(a) There is established the Department of Military and Veterans Affairs. The head of the Department of Military and Veterans Affairs is the Secretary of Military and Veterans Affairs, who shall be known as the Secretary.

(b) The powers and duties of the deputy secretaries and the divisions and directors of the Department shall be subject to the direction and control of the Secretary of Military and Veterans Affairs.

"**§ 143B-1211. Power and duties of the Department of Military and Veterans Affairs.**

It shall be the duty of the Department of Military and Veterans Affairs to do all of the following:

(1) Provide active outreach to the U.S. Department of Defense and the U.S. Department of Homeland Security and their associated establishments in North Carolina in order to support the military installations and activities in the State, to enhance North Carolina's current military-friendly environment and foster and promote business, technology, transportation, education, economic development, and other efforts in support of the mission, execution, and transformation of the U.S. government military and national defense activities located in the State.

(2) Promote the industrial and economic development of localities included in or adjacent to U.S. government military and national defense activities and those of the State.

(3) Provide technical assistance and coordination between the State, its political subdivisions, and the U.S. military and national defense activities within the State of North Carolina.

(4) Award grants to local governments, State and federal agencies, and private entities at the direction of the Secretary. The number of grants awarded and the level of funding of each grant for each fiscal year shall be contingent upon and determined by funds appropriated for that purpose by the General Assembly.

(5) Provide active outreach to the U.S. Department of Veterans Affairs, the veterans service organizations, and the veterans community in North Carolina to support and assist North Carolina's veterans in identifying and obtaining the services, assistance, and support to which they are entitled, including monitoring efforts to provide services to veterans, newly separating service members, and their immediate family members and disseminating relevant materials.

(6) Monitor and enhance efforts to provide assistance and support for veterans living in North Carolina and members of the North Carolina National Guard and North Carolina residents in the Armed Forces Reserves not in active federal service in the areas of (i) medical care, (ii) mental health and rehabilitative services, (iii) housing, (iv) homelessness prevention, (v) job creation, and (vi) education.

(7) Seek and receive monies from any source, including federal funds, gifts, grants, and devises, which shall be expended for the purposes designated in this Article.

(8) Provide active outreach, coordination, formal training and standards, and official certification to localities of the State and veterans support organizations in the development, implementation, and review of local veterans services programs as part of the State program.

(9) Work with veterans services organizations and counterparts in other states to monitor and encourage the timely and accurate processing of veterans' benefit requests by the U.S. Department of Veterans Affairs, including

requests for service connected to health care, mental health care, and disability payments.

(10) Manage and maintain the State's veterans nursing homes and cemeteries and their associated assets to the standard befitting those who have worn the uniform of the Armed Forces according to federal guidelines. Plan for expansion and grow the capacity of these facilities and any new facilities as required pending the availability of designated funds.

(11) Manage and maintain the State's Scholarships for Children of Wartime Veterans in accordance with Part 2 of Article 14 of Chapter 143B of the General Statutes and in support of the Veterans' Affairs Commission.

(12) Provide administrative, organizational, and funding support to the NC Military Affairs Commission and the Governor's Working Group for Veterans.

(13) To work with federal officials to obtain additional federal resources and coordinate veterans policy development and information exchange.

(14) To work with the appropriate heads of the principal departments to coordinate working relationships between State agencies and take all actions necessary to ensure that available federal and State resources are directed toward assisting veterans and addressing all issues of mutual concern to the State and the Armed Forces of the United States, including, but not limited to, quality of life issues unique to North Carolina's military personnel and their families, the quality of educational opportunities for military children, the future of federal impact aid, preparedness, public safety and security concerns, transportation needs, alcoholic beverage law enforcement, substance abuse, social service needs, possible expansion and growth of military facilities in the State, and intergovernmental support agreements with state and local governments.

(15) To educate the public on veterans and defense issues in coordination with applicable State agencies.

(16) To adopt rules and procedures for the implementation of this section.

(17) To assist veterans, their families, and dependents in the presentation, processing, proof, and establishment of such claims, privileges, rights, and benefits as they may be entitled to under federal, State, or local laws, rules, and regulations.

(18) To aid persons in active military service and their dependents with problems arising out of that service that come reasonably within the purview of the Department's program of assistance.

(19) To collect data and information as to the facilities and services available to veterans, their families, and dependents and to cooperate with agencies furnishing information or services throughout the State in order to inform such agencies regarding the availability of (i) education, training, and retraining facilities; (ii) health, medical, rehabilitation, and housing services and facilities; (iii) employment and reemployment services; (iv) provisions of federal, State, and local laws, rules, and regulations affording rights, privileges, and benefits to veterans, their families, and dependents, and in respect to such other matters of similar, related, or appropriate nature not herein set out.

(20) To establish such field offices, facilities, and services throughout the State as may be necessary to carry out the purposes of this Article.

(21) To cooperate, as the Department deems appropriate, with governmental, private, and civic agencies and instrumentalities in securing services or benefits for veterans, their families, dependents, and beneficiaries.

(22) To enter into any contract or agreement with any person, business, governmental agency, or other entity in furtherance of the purposes of this Article.

(23) To train, assist, and provide guidance to the employees of any county, city, town, or Indian tribe who are engaged in veterans service. Authority is hereby granted to the governing body of any county, city, or town to appropriate such amounts as it may deem necessary to provide a veterans service program and the expenditure of such funds is hereby declared to be for a public purpose; such program shall be operated in affiliation with this Department as set forth above and in compliance with Department policies and procedures.

"**§ 143B-1212. Personnel of the Department of Military and Veterans Affairs.**

Notwithstanding G.S. 114-2.3, the Secretary of Military and Veterans Affairs shall have the power to appoint all employees, including consultants and legal counsel, necessary to carry out the powers and duties of the office. These employees shall be subject to the North Carolina Human Resources Act, except that employees in positions designated as exempt under G.S. 126-5(d)(1) are not subject to the Act, in accordance with the provisions of that section.

"**§ 143B-1213. Definitions.**

Except where provided otherwise, the following definitions apply in this Chapter:

(1) Department. – The Department of Military and Veterans Affairs.

(2) Secretary. – The Secretary of Military and Veterans Affairs.

(3) Veteran. – One of the following, as applicable:

a. For qualifying as a voting member of the State Board of Veterans Affairs and as the State Director of Veterans Affairs, a person who served honorably during a period of war as defined in Title 38, United States Code.

b. For entitlement to the services of the Department of Military and Veterans Affairs, any person who may be entitled to any benefits or rights under the laws of the United States by reason of service in the Armed Forces of the United States."

CREATION OF STATUTORY PARTS AND RECODIFICATION AND REPEAL OF AFFECTED STATUTES

SECTION 24.1.(c) Veterans' Affairs Commission. – Part 13 of Article 9 of Chapter 143B of the General Statutes is recodified as Part 2 of Article 14 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1220 through G.S. 143B-1222. G.S. 165-19 through G.S. 165-22.1 are recodified under that Part as G.S. 143B-1223 through G.S. 143B-1227.

SECTION 24.1.(d) Governor's Jobs for Veterans Committee. – Part 19 of Article 9 of Chapter 143B of the General Statutes is recodified as Part 3 of Article 14 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1235 and G.S. 143B-1236.

SECTION 24.1.(e) Division of Veterans Affairs. – G.S. 165-1 through G.S. 165-4, G.S. 165-6, 165-8, and 165-10 are repealed. G.S. 165-9, 165-11, and 165-11.1 are recodified under Part 1 of Article 14 of Chapter 143B of the General Statutes as G.S. 143B-1214 through G.S. 143B-1216, respectively.

SECTION 24.1.(f) Minor Veterans and Minor Spouses of Veterans. – Article 2 of Chapter 165 of the General Statutes is recodified as Part 4 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1240 through G.S. 143B-1244. Article 3 of Chapter 165 of the

General Statutes is recodified as Part 5 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1247 and G.S. 143B-1248.

SECTION 24.1.(g) Veterans Recreation Authorities Law. – Article 5 of Chapter 165 of the General Statutes is recodified as Part 6 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1250 through G.S. 143B-1265.

SECTION 24.1.(h) Powers of Attorney. – Article 6 of Chapter 165 of the General Statutes is recodified as Part 7 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1270 though G.S. 143B-1273.

SECTION 24.1.(i) Miscellaneous Provisions. – Article 7 of Chapter 165 of the General Statutes is recodified as Part 8 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1275 through G.S. 143B-1277.

SECTION 24.1.(j) Employment Assistance. – Article 7A of Chapter 165 of the General Statutes is recodified as Part 9 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1280 through G.S. 143B-1285.

SECTION 24.1.(k) State Veterans Home. – Article 8 of Chapter 165 of the General Statutes is recodified as Part 10 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1290 through G.S. 143B-1300.

SECTION 24.1.(l) North Carolina Military Affairs Commission. – Chapter 127C of the General Statutes is recodified as Part 11 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1310 through G.S. 143B-1314.

CONFORMING CHANGES

SECTION 24.1.(m) G.S. 20-79.4 reads as rewritten:

"**§ 20-79.4. Special registration plates.**

…

(a2) Special Plates Based Upon Military Service. – The ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs shall be responsible for verifying and maintaining all verification documentation for all special plates that are based upon military service. The ~~Division~~ Department shall not issue a special plate that is based on military service unless the application is accompanied by a motor vehicle registration (MVR) verification form signed by the ~~Director of the Division of Veterans Affairs,~~Secretary of Military and Veterans Affairs, or the ~~Director's~~ Secretary's designee, showing that the ~~Division of Veterans Affairs~~ Department of Military and Veterans Affairs has verified the applicant's credentials and qualifications to hold the special plate applied for.

(1) Unless a qualifying condition exists requiring annual verification, no additional verification shall be required to renew a special registration plate either in person or through an online service.

(2) If the ~~Division of Veterans Affairs~~ Department of Military and Veterans Affairs determines a special registration plate has been issued due to an error on the part of the Division of Motor Vehicles, the plate shall be recalled and canceled.

(3) If the ~~Division of Veterans Affairs~~ Department of Military and Veterans Affairs determines a special registration plate has been issued to an applicant who falsified documents or has fraudulently applied for the special registration plate, the Division of Motor Vehicles shall revoke the special plate and take appropriate enforcement action.

…."

SECTION 24.1.(n) G.S. 20-79.5 reads as rewritten:

"**§ 20-79.5. Special registration plates for elected and appointed State government officials.**

(a) Plates. – The State government officials listed in this section are eligible for a special registration plate under G.S. 20-79.4. The plate shall bear the number designated in the following table for the position held by the official.

Position	Number on Plate
Governor	1
Lieutenant Governor	2
…	
Secretary of Military and Veterans Affairs	22
Governor's Staff	~~22~~ 23-29

…."

SECTION 24.1.(o) G.S. 47-113.2 reads as rewritten:

"**§ 47-113.2. Restricting access to military discharge documents.**

…

(b) Definitions:

(1) Authorized party. – Four categories of authorized parties are recognized with respect to access to military discharge documents under subsection (e) of this section:

…

c. Authorized agents of the ~~Division of Veterans Affairs,~~Department of Military and Veterans Affairs, the United States Department of Veterans Affairs, the Department of Defense, or a court official with an interest in assisting the subject or the deceased subject's beneficiaries to obtain a benefit.

…

(h) The North Carolina Association of Registers of Deeds and the ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs shall adopt ~~before January 1, 2004,~~ such request forms and associated rules as are required to implement the provisions of this section. All filing offices shall use the forms and comply with the rules, as adopted.

…."

SECTION 24.1.(p) G.S. 65-43.4(b) reads as rewritten:

"(b) A disinterment may be permitted, at no cost to the State, when the following conditions are satisfied:

(1) The disinterment is requested in writing and filed with the Program Director of the veterans cemeteries, the Assistant Secretary for Veterans Affairs, or the ~~Division of Veterans Affairs;~~Department of Military and Veterans Affairs;

(2) The request for disinterment contains the notarized signature of the nearest of kin, such as surviving spouse. If the spouse is deceased, the signatures of a majority of the surviving children of legal age will be required;

(3) The funeral director has obtained all necessary permits for disinterment."

SECTION 24.1.(q) G.S. 65-43.5 reads as rewritten:

"**§ 65-43.5. Reinterment.**

(a) The remains of a qualified veteran or the remains of an eligible family member may be moved to a State veterans cemetery for reinterment, at no cost to the State, when the following conditions are satisfied:

…

(2) The reinterment is requested in writing and filed with the Program Manager of veterans cemeteries, the Assistant Secretary for Veterans Affairs, or the ~~Division of Veterans Affairs; and~~Department of Military and Veterans Affairs;

…."

SECTION 24.1.(r) G.S. 93B-15.1(c1) reads as rewritten:

"(c1) Each occupational licensing board shall publish a document that lists the specific criteria or requirements for licensure, registration, or certification by the board, with a description of the criteria or requirements that are satisfied by military training or experience as provided in this section, and any necessary documentation needed for obtaining the credit or satisfying the requirement. The information required by this subsection shall be published on the occupational licensing board's Web site and the Web site of the ~~North Carolina Division of Veterans Affairs.~~Department of Military and Veterans Affairs."

SECTION 24.1.(s) G.S. 116-209.23 reads as rewritten:

"**§ 116-209.23. Inconsistent laws inapplicable.**

Insofar as the provisions of this Article are inconsistent with the provisions of any general or special laws, or parts thereof, the provisions of this Article shall be controlling, except that no provision of the 1971 amendments to this Article shall apply to scholarships for children of war veterans as set forth in ~~Article 4 of Chapter 165,~~Part 2 of Article 14 of Chapter 143B of the General Statutes, as amended."

SECTION 24.1.(t) G.S. 116B-7(b) reads as rewritten:

"(b) An amount specified in the Current Operations Appropriations Act shall be transferred annually from the Escheat Fund to the Department of ~~Administration~~ Military and Veterans Affairs to partially fund the program of Scholarships for Children of War Veterans established by ~~Article 4 of Chapter 165~~ Part 2 of Article 14 of Chapter 143B of the General Statutes. Those funds may be used only for residents of this State who (i) are worthy and needy as determined by the Department of ~~Administration,~~Military and Veterans Affairs and (ii) are enrolled in public institutions of higher education of this State."

SECTION 24.1.(u) G.S. 126-2(b1)(5) reads as rewritten:

"(b1) The Commission shall consist of nine members, appointed as follows:

…

(5) One member who is a veteran of the Armed Forces of the United States appointed by the Governor upon the nomination of the ~~Veterans~~ Veterans' Affairs Commission and who is a State employee subject to this Chapter serving in a nonexempt supervisory position. The member may not be a human resources professional."

SECTION 24.1.(v) G.S. 126-5(d)(1) is amended by adding a new sub-subdivision to read:

"(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this Chapter, which is known as the North Carolina Human Resources Act, the Governor may designate a total of 1,500 exempt positions throughout the following departments and offices:

a. Department of Administration.
b. Department of Commerce.
c. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012, and by Session Laws 2012-142, s. 25.2E(a), effective January 1, 2013.
d. Department of Public Safety.
e. Department of Cultural Resources.
f. Department of Health and Human Services.
g. Department of Environment and Natural Resources.
h. Department of Revenue.
i. Department of Transportation.
j. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012, and by Session Laws 2012-142, s. 25.2E(a), effective January 1, 2013.

k. Office of Information Technology Services.
l. Office of State Budget and Management.
m. Office of State Human Resources.
n. Department of Military and Veterans Affairs."

SECTION 24.1.(w) G.S. 127C-1, as recodified by subsection (l) of this section, reads as rewritten:

"**§ 143B-1310. Commission established; purpose; transaction of business.**

(a) Establishment. – There is established the North Carolina Military Affairs Commission. The Commission shall be established within the ~~Office of the Governor. The Department of Commerce is responsible for organizational, budgetary, and administrative purposes.~~Department of Military and Veterans Affairs.

(b) Purpose. – The Commission shall provide advice, counsel, and recommendations to ~~the Governor,~~ the General Assembly, the Secretary of ~~Commerce,~~Military and Veterans Affairs, and other State agencies on initiatives, programs, and legislation that will continue and increase the role that North Carolina's military installations, the National Guard, and Reserves play in America's defense strategy and the economic health and vitality of the State. The Commission is authorized ~~to:~~to do all of the following, as delegated by the Secretary of Military and Veterans Affairs:

…

(c) Transaction of Business. – The Commission shall meet, at a minimum, at least once during each quarter and shall provide a report on military affairs to the ~~Governor~~ Secretary of Military and Veterans Affairs and to the General Assembly at least every six months. Prior to the start of a Regular Session of the General Assembly, the Commission shall report to the General Assembly with recommendations, if any, for legislation. Priority actions or issues may be submitted at any time.

…."

SECTION 24.1.(x) G.S. 127C-2(h), as recodified by subsection (l) of this section, reads as rewritten:

"(h) The initial meeting of the Commission shall be within 30 days of the effective date of this act at a time and place to be determined by the Secretary of Commerce. The first order of business at the initial meeting of the Commission shall be the adoption of bylaws and establishment of committees, after which the Commission shall meet upon the call of the Chairman ~~or the Military Advisor within the Office of the Governor.~~or the Secretary of the Department of Military and Veterans Affairs. The members shall receive no compensation for attendance at meetings, except a per diem expense reimbursement. Members of the Commission who are not officers or employees of the State shall receive reimbursement for subsistence and travel expenses at rates set out in G.S. 138-5 from funds made available to the Commission. Members of the Commission who are officers or employees of the State shall be reimbursed for travel and subsistence at the rates set out in G.S. 138-6 from funds made available to the Commission. The Department of ~~Commerce~~ Military and Veterans Affairs shall use funds within its budget for the per diem, subsistence, and travel expenses authorized by this subsection."

SECTION 24.1.(y) G.S. 127C-3, as recodified by subsection (l) of this section, is repealed.

SECTION 24.1.(z) G.S. 127C-5, as recodified by subsection (l) of this section, reads as rewritten:

"**§ 143B-1314. Protection of sensitive documents.**

(a) In carrying out any purpose set out in ~~G.S. 127C-1(b),~~G.S. 143B-1310(b), the Commission and the Department of ~~Commerce~~ Military and Veterans Affairs may share documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11 with other public bodies. Any information shared under this subsection shall be confidential

and exempt from Chapter 132 of the General Statutes to the same extent that it is confidential in the possession of the Commission or the Department.

(b) In carrying out any purpose set out in ~~G.S. 127C-1(b),~~G.S. 143B-1310(b), the Commission and the Department of ~~Commerce~~ Military and Veterans Affairs may share documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11 with any third party in its discretion. Any information shared under this subsection shall be shared under an agreement to keep the information confidential to the same extent that it is confidential in the possession of the Commission or the Department."

SECTION 24.1.(aa) G.S. 143B-6 is amended by adding a new subdivision to read:

"**§ 143B-6. Principal departments.**

In addition to the principal departments enumerated in the Executive Organization Act of 1971, all executive and administrative powers, duties, and functions not including those of the General Assembly and its agencies, the General Court of Justice and the administrative agencies created pursuant to Article IV of the Constitution of North Carolina, and higher education previously vested by law in the several State agencies, are vested in the following principal departments:

…

(12) Department of Military and Veterans Affairs."

SECTION 24.1.(bb) G.S. 143B-399, as recodified and renumbered by subsection (c) of this section, reads as rewritten:

"**§ 143B-1220. Veterans' Affairs Commission – creation, powers and duties.**

There is hereby created the Veterans' Affairs Commission of the Department ~~of Administration.~~ of Military and Veterans Affairs. The Veterans' Affairs Commission shall have the following functions and ~~duties:~~duties, as delegated by the Secretary of Military and Veterans Affairs:

(1) To advise the ~~Governor~~ Secretary of Military and Veterans Affairs on matters relating to the affairs of veterans in North Carolina;

(2) To maintain a continuing review of the operation and budgeting of existing programs for veterans and their dependents in the State and to make any recommendations to the ~~Governor~~ Secretary of Military and Veterans Affairs for improvements and additions to such matters to which the ~~Governor~~ Secretary shall give due consideration;

~~(3) To serve collectively as a liaison between the Division of Veterans Affairs and the veterans organizations represented on the Commission;~~

(4) To promulgate rules and regulations concerning the awarding of scholarships for children of North Carolina veterans as provided by ~~Article 4 of Chapter 165 of the General Statutes of North Carolina.~~this Article. The Commission shall make rules and regulations consistent with the provisions of this ~~Chapter.~~Article. All rules and regulations not inconsistent with the provisions of this Chapter heretofore adopted by the State Board of Veterans' Affairs shall remain in full force and effect unless and until repealed or superseded by action of the ~~Veterans~~ Veterans' Affairs Commission. All rules and regulations adopted by the Commission shall be enforced by the ~~Division of Veterans' Affairs;~~Department of Military and Veterans Affairs;

(4a) To promulgate rules concerning the awarding of the North Carolina Services Medal to all veterans who have served in any period of war as defined in 38 U.S.C. § 101. The award shall be self-financing; those who wish to be awarded the medal shall pay a fee to cover the expenses of producing the medal and awarding the medal. All rules adopted by the Commission with respect to the North Carolina Services Medal shall be implemented and

enforced by the ~~Division of Veterans' Affairs;~~Department of Military and Veterans Affairs; and

(5) To advise the ~~Governor~~ Secretary on any matter the ~~Governor~~ Secretary may refer to it."

SECTION 24.1.(cc) G.S. 143B-400, as recodified and renumbered by subsection (c) of this section, reads as rewritten:

"**§ 143B-1221. Veterans' Affairs Commission – members; selection; quorum; compensation.**

The Veterans' Affairs Commission of the Department of ~~Administration~~ Military and Veterans Affairs shall consist of one voting member from each congressional district, all of whom shall be veterans, appointed by the Governor for four-year terms. In making these appointments, the Governor shall insure that both major political parties will be continuously represented on the Veterans' Affairs Commission.

The initial members of the Commission shall be the appointed members of the current Veterans' Affairs Commission who shall serve for the remainder of their current terms and six additional members appointed by the Governor for terms expiring June 30, 1981. Thereafter, all members shall be appointed for terms of four years. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death or disability of a member shall be for the balance of the unexpired term. The Governor shall have the power to remove any member of the Commission in accordance with provisions of G.S. 143B-13.

In the event that more than 11 congressional districts are established in the State, the Governor shall on July 1 following the establishment of such additional congressional districts appoint a member of the Commission from that congressional district. If on July 1, 1977, or at any time thereafter due to congressional redistricting, two or more members of the Veterans' Affairs Commission shall reside in the same congressional district then such members shall continue to serve as members of the Commission for a period equal to the remainder of their current terms on the Commission provided that upon the expiration of said term or terms the Governor shall fill such vacancy or vacancies in such a manner as to insure that as expeditiously as possible there is one member of the Veterans' Affairs Commission who is a resident of each congressional district in the State.

The Governor shall designate from the membership of the Commission a chairman and vice-chairman of the Commission who shall serve at the pleasure of the Governor. The Secretary of the Department of ~~Administration~~ Military and Veterans Affairs or his designee shall serve as secretary of the Commission.

Members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with provisions of G.S. 138-5.

A majority of the Commission shall constitute a quorum for the transaction of business.

The Veterans' Affairs Commission shall meet at least twice a year and may hold special meetings at any time or place within the State at the call of the chairman, at the call of the Secretary of the Department of ~~Administration~~ Military and Veterans Affairs or upon the written request of at least six members.

All clerical and other services required by the Commission shall be provided by the Secretary of the Department of ~~Administration.~~Military and Veterans Affairs."

SECTION 24.1.(dd) G.S. 143B-420, as recodified by subsection (d) of this section, reads as rewritten:

"**§ 143B-1235. Governor's Jobs for Veterans Committee – creation; appointment, organization, etc.; duties.**

(a) There is hereby created and established in the North Carolina Department of ~~Administration, Division of Veterans Affairs,~~Military and Veterans Affairs, a committee to be known as the Governor's Jobs for Veterans Committee, with one member from each Congressional district, appointed by the Governor. Members of the Committee shall serve at

the pleasure of the Governor. The Secretary of ~~Administration,~~Military and Veterans Affairs with the concurrence of the Governor, shall appoint a chairman to administer this Committee who shall be subject to the direction and supervision of the Secretary. The chairman shall serve at the pleasure of the Secretary. The chairman shall devote full time to his duties of office.

(b) ~~Subject to the general supervision of the Secretary, the~~The duties of the chairman shall include but not be limited to the ~~following:~~following, as delegated by the Secretary of Military and Veterans Affairs:

(1) Serving as a liaison between the Office of the Governor and all State agencies to insure that veterans receive the employment preference to which they are legally entitled and that such State agencies list available jobs with appropriate public employment services;

(2) Evaluating existing programs designed to benefit veterans and submitting reports and recommendations to the Governor and Secretary;

(3) Developing and furthering favorable employer attitudes toward the employment of veterans by appropriate promulgation of information concerning veterans and the functions of the Committee;

(4) Serving as a liaison between the Committee and communities throughout the State to the end that civic committees and volunteer groups are formed and utilized to promote the objectives of the Committee;

(5) Assisting employers in properly designing affirmative action plans as they relate to handicapped and Vietnam-era veterans;

(6) Serving as a liaison between veterans and State agencies on questions regarding the employment practices of such State agencies."

SECTION 24.1.(ee) G.S. 161-10.1 reads as rewritten:

"**§ 161-10.1. Exemption of Armed Forces discharge documents and certain other records needed in support of claims for veterans' benefits.**

Any schedule of fees which is now or may be prescribed in Chapter 161 of the General Statutes or in G.S. 161-10 shall not apply to nor shall the same repeal any of the provisions of Article 5 of Chapter 47 of the General Statutes. Any schedule of fees which is now or may be hereafter prescribed in Chapter 161 of the General Statutes or as may appear in G.S. 161-10 shall not apply to nor shall the same repeal any of the provisions of ~~G.S. 165-11.~~G.S. 143B-1215."

SECTION 24.1.(ff) G.S. 165-11, as recodified by subsection (e) of this section, reads as rewritten:

"**§ 143B-1215. Copies of records to be furnished to the Department of ~~Administration.~~Military and Veterans Affairs.**

(a) Whenever copies of any State and local public records are requested by a representative of the Department of ~~Administration~~ Military and Veterans Affairs in assisting persons in obtaining any federal, State, local or privately provided benefits relating to veterans and their beneficiaries, the official charged with the custody of any such records shall without charge furnish said representative with the requested number of certified copies of such records; provided, that this section shall not apply to the disclosure of information in certain privileged and confidential records referred to elsewhere in the General Statutes of North Carolina, which information shall continue to be disclosed in the manner prescribed by the statute relating thereto.

(b) No official chargeable with the collection of any fee or charge under the laws of the State of North Carolina in connection with his official duties shall be held accountable on his official bond or otherwise for any fee or charge remitted pursuant to the provisions of this section."

SECTION 24.1.(gg) G.S. 165-11.1, as recodified by subsection (e) of this section, reads as rewritten:

"**§ 143B-1216. Confidentiality of ~~Veterans Affairs~~Department of Military and Veterans Affairs records.**

Notwithstanding any other provisions of Chapter 143B, no records of the ~~Division of Veterans Affairs in the Department of Administration~~Department of Military and Veterans Affairs shall be disclosed or used for any purpose except for official purposes, and no records shall be disclosed, destroyed or used in any manner which is in violation of any existing federal law or regulation. Nothing in this Chapter shall convert records which are the property of the federal government into State property."

SECTION 24.1.(hh) G.S. 165-20, as recodified by subsection (c) of this section, reads as rewritten:

"**§ 143B-1224. Definitions.**

As used in this Article the terms defined in this section shall have the following meaning:

…

(3) "Child" means a person: (i) under 25 years of age at the time of application for a scholarship, (ii) who is a domiciliary of North Carolina and is a resident of North Carolina when applying for a scholarship, (iii) who has completed high school or its equivalent prior to receipt of a scholarship awarded under this Article, (iv) who has complied with the requirements of the Selective Service System, if applicable, and (v) who further meets one of the following requirements:

a. A person whose veteran parent was a legal resident of North Carolina at the time of said veteran's entrance into that period of service in the Armed Forces during which eligibility is established under ~~G.S. 165-22.~~G.S. 143B-1226.

b. A veteran's child who was born in North Carolina and has been a resident of North Carolina continuously since birth. Provided, that the requirement in the preceding sentence as to birth in North Carolina may be waived by the Department of ~~Administration~~ Military and Veterans Affairs if it is shown to the satisfaction of the Department that the child's mother was a native-born resident of North Carolina and was such resident at the time of her marriage to the veteran and was outside the State temporarily at the time of the child's birth, following which the child was returned to North Carolina within a reasonable period of time where said child has since lived continuously.

c. A person meeting either of the requirements set forth in subdivision (3) a or b above, and who was legally adopted by the veteran prior to said person's reaching the age of 15 years.

…

(5) "Private educational institution" means any junior college, senior college or university which is operated and governed by private interests not under the control of the federal, State or any local government, which is located within the State of North Carolina, which does not operate for profit, whose curriculum is primarily directed toward the awarding of associate, baccalaureate or graduate degrees, which agrees to the applicable administration and funding provisions of ~~G.S. 165-22.1,~~G.S. 143B-1227, of this Article, and which is otherwise approved by the State Board of Veterans Affairs.

…."

SECTION 24.1.(ii) G.S. 165-21, as recodified by subsection (c) of this section, reads as rewritten:

"**§ 143B-1225. Scholarship.**

(a) A scholarship granted pursuant to this Article shall consist of the following benefits in either a State or private educational institution:

…

(2) With respect to private educational institutions, a scholarship shall consist of a monetary allowance as prescribed in ~~G.S. 165-22.1(d).~~G.S. 143B-1227(d).

…."

SECTION 24.1.(jj) G.S. 165-22, as recodified by subsection (c) of this section, reads as rewritten:

"**§ 143B-1226. Classes or categories of eligibility under which scholarships may be awarded.**

A child, as defined in this Article, who falls within the provisions of any eligibility class described below shall, upon proper application be considered for a scholarship, subject to the provisions and limitations set forth for the class under which the child is considered:

…

(2) Class I-B: Under this class a limited scholarship providing only those benefits set forth in ~~G.S. 165-21(1)a and d and 165-21(2) of this Article,~~G.S. 143B-1225(a)(1)a. and d. and G.S. 143B-1225(a)(2) shall be awarded to any child whose veteran parent, at the time the benefits pursuant to this Article are sought to be availed of, is or was at the time of his death receiving compensation for a wartime service-connected disability of one hundred percent (100%) as rated by the United States Department of Veterans Affairs. Provided, that if the veteran parent of a recipient under this class should die of his wartime service-connected condition before the recipient shall have utilized all of his scholarship eligibility time, then the North Carolina Department of ~~Administration~~ Military and Veterans Affairs shall amend the recipient's award from Class I-B to Class I-A for the remainder of the recipient's eligibility time. The effective date of such an amended award shall be determined by the Department of ~~Administration,~~Military and Veterans Affairs but, in no event shall it predate the date of the veteran parent's death.

…

(4) Class III: Under this class a scholarship may be awarded to not more than 100 children yearly, each of whose veteran parent, at the time the benefits pursuant to this Article are sought to be availed of:

a. Is or was at the time of his death drawing pension for permanent and total disability, nonservice-connected, as rated by the United States Department of Veterans Affairs.

b. Is deceased and who does not fall within the provisions of any other eligibility class described in ~~G.S. 165-22(1),~~G.S. 143B-1226(1), (2), (3), (4)a., nor (5).

c. Served in a combat zone, or waters adjacent to a combat zone, or any other campaign, expedition, or engagement for which the United States Department of Defense authorizes a campaign badge or medal, who does not fall within the provisions of any other class described in ~~G.S. 165-22(1),~~G.S. 143B-1226(1), (2), (3), (4)a., or (5).

(5) Class IV: Under this class a scholarship as defined in ~~G.S. 165-21~~G.S. 143B-1225 shall be awarded to any child whose parent, while serving honorably as a member of the Armed Forces in active federal service during a period of war, as defined in ~~G.S. 165-20(4),~~G.S. 143B-1224(4), was listed by the United States

government as (i) missing in action, (ii) captured in line of duty by a hostile force, or (iii) forcibly detained or interned in line of duty by a foreign government or power."

SECTION 24.1.(kk) G.S. 165-22.1, as recodified by subsection (c) of this section, reads as rewritten:

"**§ 143B-1227. Administration and funding.**

(a) The administration of the scholarship program shall be vested in the Department of ~~Administration,~~Military and Veterans Affairs, and the disbursing and accounting activities required shall be a responsibility of the Department of ~~Administration.~~Military and Veterans Affairs. The ~~Veterans~~ Veterans' Affairs Commission shall determine the eligibility of applicants, select the scholarship recipients, establish the effective date of scholarships, and may suspend or revoke scholarships if the ~~said Veterans~~ Veterans' Affairs Commission finds that the recipient does not comply with the registration requirements of the Selective Service System or does not maintain an adequate academic status, or if the recipient engages in riots, unlawful demonstrations, the seizure of educational buildings, or otherwise engages in disorderly conduct, breaches of the peace or unlawful assemblies. The Department of ~~Administration~~ Military and Veterans Affairs shall maintain the primary and necessary records, and the ~~Veterans~~ Veterans' Affairs Commission shall promulgate such rules and regulations not inconsistent with the other provisions of this Article as it deems necessary for the orderly administration of the program. It may require of State or private educational institutions, as defined in this Article, such reports and other information as it may need to carry out the provisions of this Article. The Department of ~~Administration~~ Military and Veterans Affairs shall disburse scholarship payments for recipients certified eligible by the Department of ~~Administration~~ Military and Veterans Affairs upon certification of enrollment by the enrolling institution.

(b) Funds for the support of this program shall be appropriated to the Department of ~~Administration~~ Military and Veterans Affairs as a reserve for payment of the allocable costs for room, board, tuition, and other charges, and shall be placed in a separate budget code from which disbursements shall be made. Funds to support the program shall be supported by receipts from the Escheat Fund, as provided by G.S. 116B-7, but those funds may be used only for worthy and needy residents of this State who are enrolled in public institutions of higher education of this State. In the event the said appropriation for any year is insufficient to pay the full amounts allocable under the provisions of this Article, such supplemental sums as may be necessary shall be allocated from the Contingency and Emergency Fund. The method of disbursing and accounting for funds allocated for payments under the provisions of this section shall be in accordance with those standards and procedures prescribed by the Director of the Budget, pursuant to the ~~Executive Budget Act.~~State Budget Act.

(c) Allowances for room and board in State educational institutions shall be at such rate as established by the Secretary of the Department of ~~Administration.~~Military and Veterans Affairs.

(d) Scholarship recipients electing to attend a private educational institution shall be granted a monetary allowance for each term or other academic period attended under their respective scholarship awards. All recipients under Class I-B scholarship shall receive an allowance at one rate, irrespective of course or institution; all recipients under Classes I-A, II, III and IV shall receive a uniform allowance at a rate higher than for Class I-B, irrespective of course or institution. The amount of said allowances shall be determined by the Director of the Budget and made known prior to the beginning of each fall quarter or semester; provided that the Director of the Budget may change the allowances at intermediate periods when in his judgment such changes are necessary. Disbursements by the State shall be to the private institution concerned, for credit to the account of each recipient attending said institution. The manner of payment to any private institution shall be as prescribed by the Department of

~~Administration.~~Military and Veterans Affairs. The participation by any private institution in the program shall be subject to the applicable provisions of this Article and to examination by State auditors of the accounts of scholarship recipients attending or having attended private institutions. The ~~Veterans~~ Veterans' Affairs Commission may defer making an award or may suspend an award in any private institution which does not comply with the provisions of this Article relating to said institutions.

(e) Irrespective of other provisions of this Article, the ~~Veterans~~ Veterans' Affairs Commission may prescribe special procedures for adjusting the accounts of scholarship recipients who for reasons of illness, physical inability to attend class or for other valid reason satisfactory to the ~~Veterans~~ Veterans' Affairs Commission may withdraw from State or private educational institutions prior to the completion of the term, semester, quarter or other academic period being attended at the time of withdrawal. Such procedures may include, but shall not be limited to, paying the recipient the dollar value of his unused entitlements for the academic period being attended, with a corresponding deduction of this period from his remaining scholarship eligibility time."

SECTION 24.1.(ll) G.S. 165-44.5, as recodified by subsection (j) of this section, reads as rewritten:

"**§ 143B-1284. Priority employment assistance directed.**

All covered service providers, as specified in ~~G.S. 165-44.4,~~G.S. 143B-1283, shall establish procedures to provide veterans with priority, not inconsistent with existing federal or State law, to participate in employment and job training assistance programs."

SECTION 24.1.(mm) G.S. 165-44.6, as recodified by subsection (j) of this section, reads as rewritten:

"**§ 143B-1285. Implementation and performance measures.**

The North Carolina Commission on Workforce Preparedness shall:

(1) Issue implementing directives that shall apply to all covered service providers as specified in ~~G.S. 165-44.4,~~G.S. 143B-1283, and revise those directives as necessary to accomplish the purpose of this Article.

(2) Develop measures of service for veterans that will serve as indicators of compliance with the provisions of this Article by all covered service providers.

(3) Annually publish and submit to the Joint Legislative Commission on Governmental Operations, beginning not later than October 1, 1998, a report detailing covered providers' compliance with the provisions of this Article."

SECTION 24.1.(nn) G.S. 165-46, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1291. Establishment.**

The State of North Carolina shall construct, maintain, and operate veterans homes for the aged and infirm veterans resident in this State under the administrative authority and control of the ~~Division of Veterans Affairs of the Department of Administration.~~Department of Military and Veterans Affairs. There is vested in ~~such Division~~the Department any and all powers and authority that may be necessary to enable it to establish and operate the homes and to issue rules necessary to operate the homes in compliance with applicable State and federal statutes and regulations."

SECTION 24.1.(oo) G.S. 165-47, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1292. Exemption from certificate of need.**

Any state veterans home established by the ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs shall be exempt from the certificate of need requirements as set out in Article 9 of Chapter 131E, or as may be hereinafter enacted."

SECTION 24.1.(pp) G.S. 165-48, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1293. North Carolina Veterans Home Trust Fund.**

(a) Establishment. – A trust fund shall be established in the State treasury, for the ~~Division of Veterans Affairs,~~Department of Military and Veterans Affairs, to be known as the North Carolina Veterans Home Trust Fund.

(b) Composition. – The trust fund shall consist of all funds and monies received by the ~~Veterans~~ Veterans' Affairs Commission ~~or the Division of Veterans Affairs~~ from the United States, any federal agency or institution, and any other source, whether as a grant, appropriation, gift, contribution, devise, or individual reimbursement, for the care and support of veterans who have been admitted to a State veterans home.

(c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the ~~Division of Veterans Affairs:~~Department of Military and Veterans Affairs to do the following:

(1) To pay for the care of veterans in said State veterans homes;

(2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of said homes; and

(3) To remodel, repair, construct, modernize, or add improvements to buildings and facilities at the homes.

(d) Miscellaneous. – The following provisions apply to the trust fund created in subsection (a) of this section:

(1) All funds deposited and all income earned on the investment or reinvestment of such funds shall be credited to the trust fund.

(2) Any monies remaining in the trust fund at the end of each fiscal year shall remain on deposit in the State treasury to the credit of the North Carolina Veterans Home Trust Fund.

(3) Nothing contained herein shall prohibit the establishment and utilization of special agency accounts by the ~~Division of Veterans Affairs, as may be approved by the~~ ~~Veterans~~ Veterans' Affairs Commission, for the receipt and disbursement of personal funds of the State veterans homes' residents or for receipt and disbursement of charitable contributions for use by and for residents."

SECTION 24.1.(qq) G.S. 165-49, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1294. Funding.**

(a) The ~~Division of Veterans Affairs of the Department of Administration~~Department of Military and Veterans Affairs may apply for and receive federal aid and assistance from the United States Department of Veterans Affairs or any other agency of the United States Government authorized to pay federal aid to states for the construction and acquisition of veterans homes under Title 38, United States Code, section 8131 et seq., or for the care or support of disabled veterans in State veterans homes under Title 38, United Stated Code, section 1741 et seq., or from any other federal law for said purposes.

(b) The ~~Division of Veterans Affairs~~Department may receive from any source any gift, contribution, devise, or individual reimbursement, the receipt of which does not exclude any other source of revenue.

(c) All funds received by the ~~Division~~ Department shall be deposited in the North Carolina Veterans Home Trust Fund, except for any funds deposited into special agency accounts established pursuant to ~~G.S. 165-48(d)(3).~~ G.S. 143B-1293(d)(3). The ~~Veterans~~ Veterans' Affairs Commission shall authorize the expenditure of all funds from the North Carolina Veterans Home Trust Fund. The ~~Veterans~~ Veterans' Affairs Commission may delegate

authority to the Assistant Secretary of Veterans Affairs for the expenditure of funds from the North Carolina Veterans Home Trust Fund for operations of the State Veterans Nursing Homes."

SECTION 24.1.(rr) G.S. 165-50, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1295. Contracted operation of homes.**

The ~~Veterans~~ Veterans' Affairs Commission may contract with persons or other nongovernmental entities to operate each State veterans home. Contracts for the procurement of services to manage, administer, and operate any State veterans home shall be awarded on a competitive basis through the solicitation of proposals and through the procedures established by statute and the Division of Purchase and Contract. A contract may be awarded to the vendor whose proposal is most advantageous to the State, taking into consideration cost, program suitability, management plan, excellence of program design, key personnel, corporate or company resources, financial condition of the vendor, experience and past performance, and any other qualities deemed necessary by the ~~Veterans~~ Veterans' Affairs Commission and set out in the solicitation for proposals. Any contract awarded under this section shall not exceed five years in length. The ~~Veterans~~ Veterans' Affairs Commission is not required to select or recommend the vendor offering the lowest cost proposal but shall select or recommend the vendor who, in the opinion of the Commission, offers the proposal most advantageous to the veterans and the State of North Carolina."

SECTION 24.1.(ss) G.S. 165-51, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1296. Program staff.**

The ~~Division~~ Department shall appoint and fix the salary of an Administrative Officer for the State veterans home program. The Administrative Officer shall be an honorably discharged veteran who has served in active military service in the Armed Forces of the United States for other than training purposes. The Administrative Officer shall direct the establishment of the State veterans home program, coordinate the master planning, land acquisition, and construction of all State veterans homes under the procedures of the Office of State Construction, and oversee the ongoing operation of said veterans homes. The Division may hire any required additional administrative staff to help with administrative and operational responsibilities at each established State veterans home."

SECTION 24.1.(tt) G.S. 165-52, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1297. Admission and dismissal authority.**

The ~~Veterans~~ Veterans' Affairs Commission shall have authority to determine administrative standards for admission and dismissal, as well as the medical conditions, of all persons admitted to and dismissed from any State veterans home, and to issue any necessary rules, subject to the requirements set out in ~~G.S. 165-53.~~G.S. 143B-1298."

SECTION 24.1.(uu) G.S. 165-54, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-1299. Deposit required.**

Each resident of any State veterans home shall pay to the ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs the cost of maintaining his or her residence at the home. This deposit shall be placed in the North Carolina Veterans Home Trust Fund and shall be in an amount and in the form prescribed by the ~~Veterans~~ Veterans' Affairs Commission in consultation with the Assistant Secretary for Veterans Affairs."

SECTION 24.1.(vv) G.S. 165-55, as recodified by subsection (k) of this section, reads as rewritten:

"**§ 143B-100. Report and budget.**

(a) The Assistant Secretary for Veterans Affairs shall report annually to the Secretary of the Department of ~~Administration~~ Military and Veterans Affairs on the activities of the State Veterans Homes Program. This report shall contain an accounting of all monies received and expended, statistics on residents in the homes during the year, recommendations to the Secretary, the Governor, and the General Assembly as to the program, and such other matters as may be deemed pertinent.

(b) The Assistant Secretary for Veterans Affairs, with the approval of the ~~Veterans~~ Veterans' Affairs Commission, shall compile an annual budget request for any State funding needed for the anticipated costs of the homes, which shall be submitted to the Secretary of the Department of ~~Administration.~~Military and Veterans Affairs. State appropriated funds for operational needs shall be made available only in the event that other sources are insufficient to cover essential operating costs."

SECTION 24.1.(ww) This section becomes effective on January 1, 2016.

PART XXV. OFFICE OF THE STATE AUDITOR

STOP FRAUD AND ABUSE OF TAXPAYER DOLLARS

SECTION 25.1.(a) G.S. 143-746 reads as rewritten:

"**§ 143-746. Internal auditing required.**

…

(e) Insufficient Personnel. – If a State agency has insufficient personnel to comply with this section, the Office of State Budget and Management shall provide technical assistance.

(f) Reporting Fraudulent Activity. – If an internal audit conducted pursuant to this section results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State agency, the internal auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof."

SECTION 25.1.(b) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(c) The Auditor shall be responsible for the following acts and activities:

…

(21) If an audit undertaken by the Auditor results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State or a political subdivision thereof, the Auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer or the appropriate political subdivision official, as applicable. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof."

SECTION 25.1.(c) This section becomes effective October 1, 2015, and applies to audits conducted or undertaken on or after that date.

PART XXVI. OFFICE OF STATE HUMAN RESOURCES

DISCONTINUE USE OF AUTOMATIC SCORING AND SCREENING OF APPLICATIONS FOR STATE GOVERNMENT EMPLOYMENT

SECTION 26.1. By October 1, 2015, the Office of State Human Resources (OSHR) shall report to the Joint Legislative Oversight Committee on General Government on the status of discontinuing the utilization of its current online job application and career portal that provides automatic scoring and screening of applications for State government employment as was required by S.L. 2014-100, s. 22A.1.

PART XXVII. DEPARTMENT OF ADMINISTRATION

DOA PROVIDE ADMINISTRATIVE SUPPORT TO SEC FREE OF CHARGE

SECTION 27.1. G.S. 138A-9 reads as rewritten:

"**§ 138A-9. Staff and offices.**

(a) The Commission may employ professional and clerical staff, including an executive director.

(b) The Commission shall be located within the Department of Administration for administrative purposes only, but shall exercise all of its powers, including the power to employ, direct, and supervise all personnel, independently of the Secretary of Administration, and is subject to the direction and supervision of the Secretary of Administration only with respect to the management functions of coordinating and reporting. The Department shall provide administrative support to the Commission free of charge."

ALLOW FOR ELECTRONIC ADVERTISEMENT OF LEASE PROPOSALS

SECTION 27.2. G.S. 146-25.1 reads as rewritten:

"**§ 146-25.1. Proposals to be secured for leases.**

(a) If pursuant to G.S. 146-25, the Department of Administration determines that it is in the best interest of the State to lease or rent land and the rental is estimated to exceed twenty-five thousand dollars ($25,000) per year or the term will exceed three years, the Department shall require the State agency desiring to rent land to prepare and submit for its approval a set of specifications for its needs. Upon approval of specifications, the Department shall prepare a public ~~advertisement. The State agency shall place such advertisement in a newspaper of general circulation in the county for proposals from prospective lessors of said land and shall make such other distribution thereof as the Department directs. The advertisement shall be run for at least five consecutive days, and shall provide that proposals shall be received for at least seven days from the date of the last advertisement in the State Property Office of the Department. The provisions of this section do not apply to property owned by governmental agencies and leased to other governmental agencies.~~advertisement and shall publish it by one or more of the following methods, as determined by the Department of Administration:

(1) Placement in a newspaper of general circulation in the county. The advertisement shall be run for at least five consecutive days and shall provide that proposals shall be received for at least seven days from the date of the last advertisement in the State Property Office.

(2) Through electronic means. If posted on a Web site, the advertisement shall be accessible for at least five consecutive days and shall provide that proposals shall be received for at least seven days from the date of the fifth day in the State Property Office.

(3) Through such other methods of distribution as the Department of Administration directs.

…

(d) The provisions of this section do not apply to property owned by governmental agencies and leased to other governmental agencies."

STREAMLINE SEIZED VEHICLE DISPOSAL

SECTION 27.3.(a) G.S. 20-28.2(a1) is amended by adding a new subdivision to read:

"(a1) Definitions. – As used in this section and in G.S. 20-28.3, 20-28.4, 20-28.5, 20-28.7, 20-28.8, 20-28.9, 20-54.1, and 20-141.5, the following terms mean:

…

(9) State Surplus Property Agency. – The Department of Administration."

SECTION 27.3.(b) G.S. 20-28.3 reads as rewritten:

"**§ 20-28.3. Seizure, impoundment, forfeiture of motor vehicles for offenses involving impaired driving while license revoked or without license and insurance, and for felony speeding to elude arrest.**

…

(d) Custody of Motor Vehicle. – Unless the motor vehicle is towed pursuant to a statewide or regional contract, or a contract with the county board of education, the seized motor vehicle shall be towed by a commercial towing company designated by the law enforcement agency that seized the motor vehicle. Seized motor vehicles not towed pursuant to a statewide or regional contract or a contract with a county board of education shall be retrieved from the commercial towing company within a reasonable time, not to exceed 10 business days, by the county board of education or their agent who must pay towing and storage fees to the commercial towing company when the motor vehicle is retrieved. If either a statewide or regional contractor, or the county board of education, chooses to contract for local towing services, all towing companies on the towing list for each law enforcement agency with jurisdiction within the county shall be given written notice and an opportunity to submit proposals prior to a contract for local towing services being awarded. The seized motor vehicle is under the constructive possession of the county board of education for the county in which the operator of the vehicle is charged at the time the vehicle is delivered to a location designated by the county board of education or delivered to its agent pending release or sale, or in the event a statewide or regional contract is in place, under the constructive possession of the ~~Department of Public Instruction,~~ State Surplus Property Agency on behalf of the State at the time the vehicle is delivered to a location designated by the ~~Department of Public Instruction~~ State Surplus Property Agency or delivered to its agent pending release or sale. Absent a statewide or regional contract that provides otherwise, each county board of education may elect to have seized motor vehicles stored on property owned or leased by the county board of education and charge a reasonable fee for storage, not to exceed ten dollars ($10.00) per calendar day. In the alternative, the county board of education may contract with a commercial towing and storage facility or other private entity for the towing, storage, and disposal of seized motor vehicles, and a storage fee of not more than ten dollars ($10.00) per calendar day may be charged. Except for gross negligence or intentional misconduct, neither the State Surplus Property Agency, the county board of education, ~~or~~ nor any of ~~its~~ their employees, shall ~~not~~ be liable to the owner or lienholder for damage to or loss of the motor vehicle or its contents, or to the owner of personal property in a seized vehicle, during the time the motor vehicle is being towed or stored pursuant to this subsection.

…

(i) Expedited Sale of Seized Motor Vehicles in Certain Cases. – In order to avoid additional liability for towing and storage costs pending resolution of the criminal proceedings of the defendant, the State Surplus Property Agency or county board of education may, after expiration of 90 days from the date of seizure, or at any time with the consent of the owner, sell any motor vehicle ~~having a fair market value of one thousand five hundred dollars ($1,500) or less. The county board of education may also sell a motor vehicle, regardless of the fair market value, any time the outstanding towing and storage costs exceed eighty-five percent (85%) of the fair market value of the vehicle, or with the consent of all the motor vehicle owners.~~ seized

pursuant to this section and recover all costs associated with the sale. Any sale conducted pursuant to this subsection shall be conducted in accordance with the provisions of ~~G.S. 20-28.5(a),~~ G.S. 20-28.5(a) or G.S. 20-28.5(a1), as applicable, and the proceeds of the sale, after the payment of outstanding towing and storage costs or reimbursement of towing and storage costs paid by a person other than the defendant, shall be deposited with the clerk of superior court. If an order of forfeiture is entered by the court, the court shall order the proceeds held by the clerk to be disbursed as provided in G.S. 20-28.5(b). If the court determines that the motor vehicle is not subject to forfeiture, the court shall order the proceeds held by the clerk to be disbursed first to pay the sale, towing, and storage costs, second to pay outstanding liens on the motor vehicle, and the balance to be paid to the motor vehicle owners.

…."

SECTION 27.3.(c) G.S. 20-28.5 reads as rewritten:

"**§ 20-28.5. Forfeiture of impounded motor vehicle or funds.**

(a) ~~Sale.~~Sale of Vehicle in Possession of County Board of Education. – A motor vehicle in the possession or constructive possession of a county board of education ordered forfeited and sold or a seized motor vehicle authorized to be sold pursuant to G.S. 20-28.3(i), shall be sold at a public sale conducted in accordance with the provisions of Article 12 of Chapter 160A of the General Statutes, applicable to sales authorized pursuant to G.S. 160A-266(a)(2), (3), or (4), subject to the notice requirements of this subsection, and shall be conducted by the county board of education or a person acting on its behalf. Notice of sale, including the date, time, location, and manner of sale, shall be given by first-class mail to all motor vehicle owners of the vehicle to be sold at the address shown by the records of the Division. Written notice of sale shall also be given to all lienholders on file with the Division. Notice of sale shall be given to the Division in accordance with the procedures established by the Division. Notices required to be given under this subsection shall be mailed at least 10 days prior to the date of sale. A lienholder shall be permitted to purchase the motor vehicle at any such sale by bidding in the amount of its lien, if that should be the highest bid, without being required to tender any additional funds, other than the towing and storage fees. The county board of education, or its agent, shall not sell, give, or otherwise transfer possession of the forfeited motor vehicle to the defendant, the motor vehicle owner who owned the motor vehicle immediately prior to forfeiture, or any person acting on the defendant's or motor vehicle owner's behalf.

(a1) Sale of Vehicle in Possession of the State Surplus Property Agency. – A motor vehicle in the possession or constructive possession of the State Surplus Property Agency ordered forfeited and sold or a seized motor vehicle authorized to be sold pursuant to G.S. 20-28.3(i) shall be sold at a public sale conducted in accordance with the provisions of Article 3A of Chapter 143 of the General Statutes, subject to the notice requirements of this subsection, and shall be conducted by the State Surplus Property Agency or a person acting on its behalf. Notice of sale, including the date, time, location, and manner of sale, shall be given by first-class mail to all motor vehicle owners of the vehicle to be sold at the address shown by the records of the Division. Written notice of sale shall also be given to all lienholders on file with the Division. Notice of sale shall be given to the Division in accordance with the procedures established by the State Surplus Property Agency. Notices required to be given under this subsection shall be mailed at least 10 days prior to the date of sale. A lienholder shall be permitted to purchase the motor vehicle at any such sale by bidding in the amount of its lien, if that should be the highest bid, without being required to tender any additional funds, other than the towing and storage fees. The State Surplus Property Agency, or its agent, shall not sell, give, or otherwise transfer possession of the forfeited motor vehicle to the defendant, the motor vehicle owner who owned the motor vehicle immediately prior to forfeiture, or any person acting on the defendant's or motor vehicle owner's behalf.

(b) Proceeds of Sale. – Proceeds of any sale conducted under this section, G.S. 20-28.2(f)(5), or G.S. 20-28.3(e3)(3), shall first be applied to ~~the cost of sale~~ all costs

incurred by the State Surplus Property Agency or county board of education and then to satisfy towing and storage costs. The balance of the proceeds of sale, if any, shall be used to satisfy any other existing liens of record that were properly recorded prior to the date of initial seizure of the vehicle. Any remaining balance shall be paid to the county school fund in the county in which the motor vehicle was ordered forfeited. If there is more than one school board in the county, then the net proceeds of sale, after reimbursement to the county board of education of reasonable administrative costs incurred in connection with the forfeiture and sale of the motor vehicle, shall be distributed in the same manner as fines and other forfeitures. The sale of a motor vehicle pursuant to this section shall be deemed to extinguish all existing liens on the motor vehicle and the motor vehicle shall be transferred free and clear of any liens.

…."

SECTION 27.3.(d) G.S. 20-28.9 reads as rewritten:

"**§ 20-28.9. Authority for the ~~Department of Public Instruction~~ State Surplus Property Agency to administer a statewide or regional towing, storage, and sales program for vehicles forfeited.**

(a) The ~~Department of Public Instruction~~ State Surplus Property Agency is authorized to enter into a contract for a statewide service or contracts for regional services to tow, store, process, maintain, and sell motor vehicles seized pursuant to G.S. 20-28.3. All motor vehicles seized under G.S. 20-28.3 shall be subject to contracts entered into pursuant to this section. Contracts shall be let by the ~~Department of Public Instruction~~ State Surplus Property Agency in accordance with the provisions of Article 3 of Chapter 143 of the General Statutes. Nothing in this section shall be construed to prohibit the State Surplus Property Agency from entering into contracts pursuant to this section for some regions of the State while performing the work of towing, storing, processing, maintaining, and selling motor vehicles seized pursuant to G.S. 20-28.3 itself in other regions of the State. All contracts shall ensure the safety of the motor vehicles while held and any funds arising from the sale of any seized motor vehicle. The contract shall require the contractor to maintain and make available to the agency a computerized up-to-date inventory of all motor vehicles held under the contract, together with an accounting of all accrued charges, the status of the vehicle, and the county school fund to which the proceeds of sale are to be paid. The contract shall provide that the contractor shall pay the towing and storage charges owed on a seized vehicle to a commercial towing company at the time the seized vehicle is obtained from the commercial towing company, with the contractor being reimbursed this expense when the vehicle is released or sold. The ~~Department~~ State Surplus Property Agency shall not enter into any contract under this section under which the State will be obligated to pay a deficiency arising from the sale of any forfeited motor vehicle.

(b) The ~~Department,~~ State Surplus Property Agency, through its contractor or contractors designated in accordance with subsection (a) of this section, may charge a reasonable fee for storage not to exceed ten dollars ($10.00) per calendar day for the storage of seized vehicles pursuant to G.S. 20-28.3.

~~(c) In order to help defray the administrative costs associated with the administration of this section, the Department shall collect a ten dollar ($10.00) administrative fee from a person to whom a seized vehicle is released at the time the motor vehicle is released and shall collect a ten dollar ($10.00) administrative fee out of the proceeds of the sale of any forfeited motor vehicle. The funds collected under this subsection shall be paid to the General Fund.~~"

SECTION 27.3.(e) G.S. 143-64.02 is amended by adding two new subdivisions to read:

"**§ 143-64.02. Definitions.**

As used in Part 1 of this Article, except where the context clearly requires otherwise:

(1) "Agency" means an existing department, institution, commission, committee, board, division, or bureau of the State.

(2) "Nonprofit tax exempt organizations" means those nonprofit tax exempt medical institutions, hospitals, clinics, health centers, school systems, schools, colleges, universities, schools for the mentally retarded, schools for the physically handicapped, radio and television stations licensed by the Federal Communications Commission as educational radio or educational television stations, public libraries, and civil defense organizations, that have been certified by the Internal Revenue Service as tax-exempt nonprofit organizations under section 501(c)(3) of the United States Internal Revenue Code of 1954.

(3) "Recyclable material" means a recyclable material, as defined in G.S. 130A-290, that the Secretary of Administration determines, consistent with G.S. 130A-309.14, to be a recyclable material.

(4) "State owned" means supplies, materials, and equipment in the possession of the State of North Carolina and purchased with State funds, personal property donated to the State, or personal property purchased with other funds that give ownership to the State.

(5) "Surplus property" means personal property that is no longer needed by a State agency."

SECTION 27.3.(f) G.S. 143-64.03 reads as rewritten:

"**§ 143-64.03. Powers and duties of the State agency for surplus property.**

(a) The State Surplus Property Agency is authorized and directed to:

(1) Sell all State owned supplies, materials, and equipment that are surplus, obsolete, or ~~unused;~~unused and sell all seized vehicles and other conveyances that the State Surplus Property Agency is authorized to sell;

(2) Warehouse such property; and

(3) Distribute such property to tax-supported or nonprofit tax-exempt organizations.

(b) The State Surplus Property Agency is authorized and empowered to act as a clearinghouse of information for agencies and private nonprofit tax-exempt organizations, to locate property available for acquisition from State agencies, to ascertain the terms and conditions under which the property may be obtained, to receive requests from agencies and private nonprofit tax-exempt organizations, and transmit all available information about the property, and to aid and assist the agencies and private nonprofit tax-exempt organizations in transactions for the acquisition of State surplus property.

(c) The State agency for surplus property, in the administration of Part 1 of this Article, shall cooperate to the fullest extent consistent with the provisions of Part 1 of this Article, with the departments or agencies of the State.

(d) The State agency for surplus property may sell or otherwise dispose of surplus property, including motor vehicles, through an electronic auction service."

SECTION 27.3.(g) G.S. 143-64.05(a) reads as rewritten:

"**§ 143-64.05. Service charge; receipts.**

(a) The State agency for surplus property may assess and collect a service charge (i) for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus ~~property and~~ property; (ii) for the transfer or sale of recyclable ~~material.~~ material; and (iii) for the towing, storing, processing, maintaining, and selling of motor vehicles seized pursuant to G.S. 20-28.3. The service charge authorized by this subsection does not apply to the transfer or sale of timber on land owned by the Wildlife Resources Commission or the Department of Agriculture and Consumer Services."

PART XXVIII. DEPARTMENT OF REVENUE

ELIMINATE POSITIONS AT ROCKY MOUNT CALL CENTER

SECTION 28.1.(a) The Department of Revenue shall close the call center in the City of Rocky Mount no later than July 1, 2017. The Department shall not fill vacant positions located at the call center in the City of Rocky Mount. The Department may transfer vacant or filled positions from the call center in the City of Rocky Mount to the call center in the City of Greensboro, provided that no more than 100 positions are established in the call center in the City of Greensboro.

SECTION 28.1.(b) This section is effective when this act becomes law.

MODIFY COLLECTION ASSISTANCE FEE RULES

SECTION 28.2. G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

(1) To pay (i) contractors for collecting overdue tax debts under subsection (b) of this ~~section.~~section and (ii) auditors responsible for identifying overdue tax debts.

…

(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts, not to exceed ~~five hundred thousand dollars ($500,000)~~seven hundred fifty thousand dollars ($750,000) a year.

…

(7) To pay the direct and indirect expenses of information technology upgrades to the Department of Revenue computer systems that are intended to do all of the following:

a. Improve system-wide security to protect the interests of all taxpayers and the information technology infrastructure of the Department.

b. Allow the Department to achieve ongoing compliance with IRS requirements for the safeguarding of Federal Tax Information entrusted to the Department.

c. Upgrade Department of Revenue capabilities to allow for electronic filing of returns by taxpayers and the electronic issuance of refunds by the Department for all remaining tax schedules.

d. Accomplish other mission-critical IT tasks of the Department as approved by the Office of State Budget and Management in consultation with the State CIO."

STATE AGENCY/ENHANCED DEBT COLLECTION

SECTION 28.3. Article 1 of Chapter 105A of the General Statutes reads as rewritten:

"**Chapter 105A.**

"**Setoff Debt Collection Act.**

"Article 1.

"In General.

"**§ 105A-1. Purposes.**

The purpose of this Chapter is to establish as policy that all claimant agencies and the Department of Revenue shall cooperate in identifying debtors who owe money to the State or to a local government through their various agencies and who qualify for refunds from the Department of Revenue. It is also the intent of this Chapter that procedures be established for setting off against any refund the sum of any debt owed to the State or to a local government. Furthermore, it is the legislative intent that this Chapter be liberally construed so as to effectuate these purposes as far as legally and practically possible.

"**§ 105A-2. Definitions.**

The following definitions apply in this Chapter:

(1) Claimant agency. – Either of the following:

a. A State agency.

b. A local agency acting through a clearinghouse or an organization pursuant to G.S. 105A-3(b1).

c. A federal agency.

(2) Debt. – Any of the ~~following, except as limited in sub-subdivision (f.) of this subdivision:~~following:

a. A sum owed to a claimant agency that has accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum.

b. A sum a claimant agency is authorized or required by law to collect, such as child support payments collectible under Title IV, Part D of the Social Security Act.

c. A sum owed as a result of an intentional program violation or a violation due to inadvertent household error under the Food and Nutrition Services Program enabled by Part 5 of Article 2 of Chapter 108A of the General Statutes.

d. Reserved for future codification purposes.

e. A sum owed as a result of having obtained public assistance payments under any of the following programs through an intentional false statement, intentional misrepresentation, intentional failure to disclose a material fact, or inadvertent household error:

1. The Work First Program provided in Article 2 of Chapter 108A of the General Statutes.

2. The State-County Special Assistance Program enabled by Part 3 of Article 2 of Chapter 108A of the General Statutes.

3. A successor program of one of these programs.

~~f. For any school of medicine, clinical program, facility, or practice affiliated with one of the constituent institutions of The University of North Carolina that provides medical care to the general public and for The University of North Carolina Health Care System and other persons or entities affiliated with or under the control of The University of North Carolina Health Care System, the term "debt" is limited to the sum owed to one of these entities by law or by contract following adjudication of a claim resulting from an individual's receipt of hospital or medical services at a time when the individual was covered by commercial insurance, Medicaid, Health Choice,~~

~~Medicare, Medicare Advantage, a Medicare supplement plan, or any other government insurance.~~

g. A sum owed to the United States government or its federal agencies.

(3) Debtor. – A person who owes a debt.

(4) Department. – The Department of Revenue.

(5) Federal official. – A unit or official of the federal government charged with the collection of nontax debts payable to the federal government pursuant to 31 U.S.C. § 3716.

(6) Local agency. – Any of the following:

a. A county, to the extent it is not considered a State agency.

b. A municipality.

c. A water and sewer authority created under Article 1 of Chapter 162A of the General Statutes.

d. A regional joint agency created by interlocal agreement under Article 20 of Chapter 160A of the General Statutes between two or more counties, cities, or both.

e. A public health authority created under Part 1B of Article 2 of Chapter 130A of the General Statutes or other authorizing legislation.

f. A metropolitan sewerage district created under Article 5 of Chapter 162A of the General Statutes.

g. A sanitary district created under Part 2 of Article 2 of Chapter 130A of the General Statutes.

h. A housing authority created under Chapter 157 of the General Statutes, provided that the debt owed to a housing authority has been reduced to a final judgment in favor of the housing authority.

i. A regional solid waste management authority created under Article 22 of Chapter 153A of the General Statutes.

(7) Net proceeds collected. – Gross proceeds collected through setoff against a debtor's refund or nontax payment minus the collection assistance fees provided in G.S. 105A-13.

(7a) Nontax payment. – A payment, including an expense reimbursement, made by the State to a person. The term does not include a person's salary, wages, or pension or a refund.

(7b) Person. – Defined in G.S. 105-228.90.

(8) Refund. – A debtor's North Carolina tax refund.

(9) State agency. – Any of the following:

a. A unit of the executive, legislative, or judicial branch of State government.

b. A local agency, to the extent it administers a program supervised by the Department of Health and Human Services or it operates a Child Support Enforcement Program, enabled by Chapter 110, Article 9, and Title IV, Part D of the Social Security Act.

c. A community college.

"§ 105A-3. Remedy additional; mandatory State usage; optional local usage; obtaining identifying information; registration.

(a) Remedy Additional. – The collection remedy under this Chapter is in addition to and not in substitution for any other remedy available by law.

(b) Mandatory State Usage. – A State agency must submit a debt owed to it for collection under this Chapter unless the State Controller has waived this requirement or the State agency has determined that the validity of the debt is legitimately in dispute, an alternative means of collection is pending and believed to be adequate, or such a collection

attempt would result in a loss of federal funds. The State Controller may waive the requirement for a State agency, other than the Department of Health and Human Services or a county acting on behalf of that Department, to submit a debt owed to it for collection under this Chapter if the State Controller finds that collection by this means would not be practical or cost effective. A waiver may apply to all debts owed a State agency or a type of debt owed a State agency.

(b1) Optional Local Usage. – A local agency may submit a debt owed to it for collection under this Chapter. A local agency that decides to submit a debt owed to it for collection under this Chapter must establish the debt by following the procedure set in G.S. 105A-5 and must submit the debt through one of the following:

(1) A clearinghouse that is established pursuant to an interlocal agreement adopted under Article 20 of Chapter 160A of the General Statutes and has agreed to submit debts on behalf of any requesting local agency.
(2) The North Carolina League of Municipalities.
(3) The North Carolina Association of County Commissioners.

(c) Identifying Information. – All claimant agencies shall whenever possible obtain the full name, social security number or federal identification number, address, and any other identifying information required by the Department from any person for whom the agencies provide any service or transact any business and who the claimant agencies can foresee may become a debtor under this Chapter.

(d) Registration and Reports. – A State agency must register with the Department and with the State Controller. Every State agency must report annually to the State Controller the amount of debts owed to the agency for which the agency did not submit a claim for setoff and the reason for not submitting the claim.

A clearinghouse or an organization that submits debts on behalf of a local agency must register with the Department. Once a clearinghouse registers with the Department under this subsection, no other clearinghouse may register to submit debts for collection under this Chapter.

"§ 105A-4. Minimum debt and ~~refund.~~refund or nontax payment.

This Chapter applies only to a debt that is at least fifty dollars ($50.00) and to a refund or nontax payment that is at least this same amount.

"§ 105A-5. Local agency notice, hearing, and decision.

(a) Prerequisite. – A local agency may not submit a debt for collection under this Chapter until it has given the notice required by this section and the claim has been finally determined as provided in this section.

(b) Notice. – A local agency must send written notice to a debtor that the agency intends to submit the debt owed by the debtor for collection by setoff. The notice must explain the basis for the agency's claim to the debt, that the agency intends to apply the debtor's refund or nontax payment against the debt, and that a collection assistance fee ~~of fifteen dollars ($15.00)~~ provided in G.S. 105A-13 will be added to the debt if it is submitted for setoff. The notice must also inform the debtor that the debtor has the right to contest the matter by filing a request for a hearing with the local agency, must state the time limits and procedure for requesting the hearing, and must state that failure to request a hearing within the required time will result in setoff of the debt.

(c) Administrative Review. – A debtor who decides to contest a proposed setoff must file a written request for a hearing with the local agency within 30 days after the date the local agency mails a notice of the proposed action to the debtor. A request for a hearing is considered to be filed when it is delivered for mailing with postage prepaid and properly addressed. The governing body of the local agency or a person designated by the governing body must hold the hearing.

If the debtor disagrees with the decision of the governing body or the person designated by the governing body, the debtor may file a petition for a contested case under Article 3 of

Chapter 150B of the General Statutes. The petition must be filed within 30 days after the debtor receives a copy of the local decision. Notwithstanding the provisions of G.S. 105-241.21, a local agency is considered an agency for purposes of contested cases and appeals under this Chapter.

In a hearing under this section, an issue that has previously been litigated in a court proceeding cannot be considered.

(d) Decision. – A decision made after a hearing under this section must determine whether a debt is owed to the local agency and the amount of the debt.

(e) Return of Amount Set Off. – If a local agency submits a debt for collection under this Chapter without sending the notice required by subsection (b) of this section, the agency must send the taxpayer the entire amount set off plus the collection assistance fees provided in G.S. 105A-13. Similarly, if a local agency submits a debt for collection under this Chapter after sending the required notice but before final determination of the debt and a decision finds that the local agency is not entitled to any part of the amount set off, the agency must send the taxpayer the entire amount set off plus the collection assistance fees provided in G.S. 105A-13. That portion of the amount returned that reflects the collection assistance fees must be paid from the local agency's funds.

If a local agency submits a debt for collection under this Chapter after sending the required notice and the net proceeds collected that are credited to the local agency for the debt exceed the amount of the debt, the local agency must send the balance to the debtor. No part of the collection assistance fees provided in G.S. 105A-13 may be returned when a notice was sent and a debt is owed but the debt is less than the amount set off.

Interest accrues on the amount of a refund returned to a taxpayer under this subsection in accordance with G.S. 105-241.21. A local agency that returns a refund to a taxpayer under this subsection must pay from the local agency's funds any interest that has accrued since the fifth day after the Department mailed the notice of setoff to the taxpayer.

"**§ 105A-6. Procedure Department to follow in making setoff.**

(a) Notice to Department. – A claimant agency seeking to attempt collection of a debt through setoff must notify the Department in writing and supply information necessary to identify the debtor whose refund or nontax payment is sought to be set off. The claimant agency may include with the notification the date, if any, that the debt is expected to expire. The agency must notify the Department in writing when a debt has been paid or is no longer owed the agency.

(b) Setoff by Department. – The Department, upon receipt of notification, must determine each year whether the debtor to the claimant agency is entitled to a refund ~~of~~ or nontax payment and whether the amount is at least fifty dollars ~~($50.00) from the Department.~~ ($50.00). Upon determination by the Department that a debtor specified by a claimant agency qualifies for such a ~~refund,~~ refund or nontax payment, the Department must set off the debt against the refund or nontax payment to which the debtor would otherwise be entitled and must refund any remaining balance to the debtor. The Department must mail the debtor written notice that the setoff has occurred and must credit the net proceeds collected to the claimant agency. If the claimant agency is a State agency, that agency must credit the amount received to a nonreverting trust account and must follow the procedure set in G.S. 105A-8.

"**§ 105A-6.1. State Reciprocal Offset Program.**

(a) Agreement. – The Department is authorized to enter into an agreement with the Secretary of the Treasury to participate in the State Reciprocal Offset Program pursuant to 31 U.S.C. § 3716 for the collection of any debts owed to the State or to State agencies from federal payments to vendors, contractors, and taxpayers. The agreement may provide for the United States to submit nontax debts owed to federal agencies for offset against State payments otherwise due and owing to taxpayers, vendors, and contractors providing goods or services to the State, its departments, agencies, or institutions.

(b) Federal Certification. – Pursuant to the agreement authorized in subsection (a) of this section, a federal official may certify to the Department the existence of a person's delinquent, nontax debt owed by the person to the federal government. To accept the certification provided by the federal official, the certification must include the name of the person, the person's Social Security number or federal tax identification number, and the amount of the person's nontax debt and may include any other information pursuant to the agreement authorized herein.

(c) Offset. – Upon receiving a federal certification complying with subsection (b) of this section and a request by the federal official that the Department withhold a refund or nontax payment, the following provisions, as required or permitted by State law, federal law, or the offset agreement, apply:

(1) The Department may determine if a person for whom the federal certification is received is due a refund or nontax payment.

(2) If the person for whom the federal certification is received is due a refund or nontax payment, the Department shall (i) withhold the refund or nontax payment due, (ii) notify the person of the amount withheld in the manner required by the offset agreement, and (iii) remit to the federal official the lesser of the entire amount of the refund or nontax payment or the amount certified.

(3) If the amount certified is less than the refund or nontax payment, the Department shall pay the excess to the person less the collection assistance fee provided in G.S. 105A-13.

(d) State Certification. – As permitted by State law, federal law, and the offset agreement, the Department may certify to a federal official a person's delinquent debt owed to the State by providing the federal official the name of the person, the person's Social Security number or tax identification number, the amount of the debt due the State, and any other information required by the offset agreement. The Department may request that the federal official withhold any federal vendor or other federal payment pursuant to the offset agreement to which the person is entitled.

(e) Proceeds Retention. – The retention of a portion of the proceeds of any federal administrative setoff pursuant to 31 C.F.R. § 285.6 does not affect the provisions of this section.

…

"**§ 105A-8. State agency notice, hearing, decision, and refund of setoff.**

(a) Notice. – Within 10 days after a State agency receives a refund or nontax payment of a debtor, the agency must send the debtor written notice that the agency has received the debtor's ~~refund.~~ refund or nontax payment. The notice must explain the debt that is the basis for the agency's claim to the debtor's refund or nontax payment and that the agency intends to apply the refund or nontax payment against the debt. The notice must also inform the debtor that the debtor has the right to contest the matter by filing a request for a hearing, must state the time limits and procedure for requesting the hearing, and must state that failure to request a hearing within the required time will result in setoff of the debt. A State agency that does not send a debtor a notice within the time required by this subsection must refund the amount set off plus the collection assistance fee, in accordance with subsection (d) of this section.

(b) Hearing. – A hearing on a contested claim of a State agency, except a constituent institution of The University of North Carolina or the Division of Employment Security, must be conducted in accordance with Article 3 of Chapter 150B of the General Statutes. A hearing on a contested claim of a constituent institution of The University of North Carolina must be conducted in accordance with administrative procedures approved by the Attorney General. A hearing on a contested claim of the Division of Employment Security must be conducted in accordance with rules adopted by that Division. A request for a hearing on a contested claim of

any State agency must be filed within 30 days after the State agency mails the debtor notice of the proposed setoff. A request for a hearing is considered to be filed when it is delivered for mailing with postage prepaid and properly addressed. In a hearing under this section, an issue that has previously been litigated in a court proceeding cannot be considered.

(c) Decision. – A decision made after a hearing under this section must determine whether a debt is owed to the State agency and the amount of the debt.

(d) Return of Amount Set Off. – If a State agency fails to send the notice required by subsection (a) of this section within the required time or a decision finds that a State agency is not entitled to any part of an amount set off, the agency must send the taxpayer the entire amount set off plus the collection assistance fee retained by the Department. That portion of the amount returned that reflects the collection assistance fee must be paid from the State agency's funds.

If a debtor owes a debt to a State agency and the net proceeds credited to the State agency for the debt exceed the amount of the debt, the State agency must send the balance to the debtor. No part of the collection assistance fee retained by the Department may be returned when a debt is owed but it is less than the amount set off.

Interest accrues on the amount of a refund returned to a taxpayer under this subsection in accordance with G.S. 105-241.21. A State agency that returns a refund to a taxpayer under this subsection must pay from the State agency's funds any interest that has accrued since the fifth day after the Department mailed the notice of setoff to the taxpayer.

"**§ 105A-9. Appeals from hearings.**

Appeals from hearings allowed under this Chapter, other than those conducted by the Division of Employment Security, shall be in accordance with the provisions of Chapter 150B of the General Statutes, the Administrative Procedure Act, except that the place of initial judicial review shall be the superior court for the county in which the debtor resides. Appeals from hearings allowed under this Chapter that are conducted by the Division of Employment Security shall be in accordance with the provisions of Chapter 96 of the General Statutes.

…

"**§ 105A-12. Priorities in claims to setoff.**

The Department has priority over all other claimant agencies for collection by setoff whenever it is a competing agency for a ~~refund.~~ refund or nontax payment. State agencies have priority over federal or local agencies for collection by setoff. When there are multiple claims by State agencies other than the Department, the claims have priority based on the date each agency registered with the Department under G.S. 105A-3. When there are multiple claims by two or more organizations submitting debts on behalf of federal or local agencies, the claims have priority based on the date each organization registered with the Department under G.S. 105A-3. When there are multiple claims among federal or local agencies whose debts are submitted by the same organization, the claims have priority based on the date each federal or local agency requested the organization to submit debts on its behalf.

"**§ 105A-13. Collection assistance fees.**

(a) State Setoff. – ~~To~~ Except as provided in subsection (b1) of this section, to recover the costs incurred by the Department in collecting debts under this Chapter, a collection assistance fee of five dollars ($5.00) is imposed on each debt collected through setoff. The Department must collect this fee as part of the debt and retain it. The collection assistance fee shall not be added to child support debts or collected as part of child support debts. Instead, the Department shall retain from collections under Division II of Article 4 of Chapter 105 of the General Statutes the cost of collecting child support debts under this Chapter.

(b) Repealed by Session Laws 2001-380, s. 3, effective November 1, 2001.

(b1) Federal Debts. – To recover the costs incurred by the Department in collecting debts on behalf of a federal agency under this Chapter, a collection assistance fee equal to the fee

charged by the federal government is imposed on each debt collected through setoff. The Department must collect this fee as part of the debt and retain it.

(c) Local Debts. – To recover the costs incurred by local agencies in submitting debts for collection under this Chapter, a local collection assistance fee of fifteen dollars ($15.00) is imposed on each local agency debt submitted under G.S. 105A-3(b1) and collected through setoff. The Department must collect this fee as part of the debt and remit it to the clearinghouse that submitted the debt. The local collection assistance fee does not apply to child support debts.

(d) Priority. – If the Department is able to collect only part of a debt through setoff, the collection assistance fee provided in subsection (a) of this section has priority over the local collection assistance fee and over the remainder of the debt. The local collection assistance fee has priority over the remainder of the debt.

"**§ 105A-14. Accounting to the claimant agency; credit to debtor's obligation.**

(a) Simultaneously with the transmittal of the net proceeds collected to a claimant agency, the Department must provide the agency with an accounting of the setoffs for which payment is being made. The accounting must whenever possible include the full names of the debtors, the debtors' social security numbers or federal identification numbers, the gross proceeds collected per setoff, the net proceeds collected per setoff, and the collection assistance fee added to the debt and collected per setoff.

(b) Upon receipt by a claimant agency of net proceeds collected on the claimant agency's behalf by the Department, a final determination of the claim if it is a State agency claim, and an accounting of the proceeds as specified under this section, the claimant agency must credit the debtor's obligation with the net proceeds collected.

"**§ 105A-15. Confidentiality exemption; nondisclosure.**

(a) Notwithstanding G.S. 105-259 or any other provision of law prohibiting disclosure by the Department of the contents of taxpayer records or information and notwithstanding any confidentiality statute of any claimant agency, the exchange of any information among the Department, the claimant agency, the organization submitting debts on behalf of a local agency, and the debtor necessary to implement this Chapter is lawful.

(b) The information a claimant agency or an organization submitting debts on behalf of a local agency obtains from the Department in accordance with the exemption allowed by subsection (a) may be used by the agency or organization only in the pursuit of its debt collection duties and practices and may not be disclosed except as provided in G.S. 105-259, 153A-148.1, or 160A-208.1.

"**§ 105A-16. Rules.**

The Secretary of Revenue may adopt rules to implement this Chapter. The State Controller may adopt rules to implement this Chapter."

PART XXIX. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 29.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2017-2018	$2,202.6 million
For Fiscal Year 2018-2019	$2,245.5 million
For Fiscal Year 2019-2020	$2,289.9 million
For Fiscal Year 2020-2021	$2,334.9 million

SECTION 29.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2017-2018	$1,295.3 million
For Fiscal Year 2018-2019	$1,316.0 million

For Fiscal Year 2019-2020 $1,342.7 million
For Fiscal Year 2020-2021 $1,373.5 million

SECTION 29.1.(c) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop an eight-year revenue forecast. The first fiscal year in the eight-year forecast shall be the 2017-2018 fiscal year. The eight-year revenue forecast developed under this subsection shall be used (i) to develop the four-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 29.2.(a) Of the funds appropriated in this act to the Department of Transportation:

(1) Two million five hundred thousand dollars ($2,500,000) in nonrecurring funds shall be allocated in each fiscal year for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of the Department of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.

(2) Twelve million dollars ($12,000,000) shall be allocated statewide in each fiscal year for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

SECTION 29.2.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

PRIORITIZATION 4.0 WORKGROUP CRITERIA/STI REVISIONS

SECTION 29.3.(a) The Prioritization 4.0 Workgroup, established in accordance with G.S. 136-189.11(h), shall (i) include peak average daily traffic data in the Congestion formula, (ii) expand consideration in Multimodal formula given to projects abutting a multimodal terminal to include projects within a certain proximity of a multimodal terminal, and (iii) include the improvement of hurricane evacuation routes and procedures in the Safety formula.

SECTION 29.3.(b) G.S. 136-189.11(g)(1) reads as rewritten:

"(1) The quantitative criteria used in each highway and nonhighway project scoring, including the methodology used to define each ~~criteria, the criteria presented to the Board of Transportation for approval,~~criteria and any adjustments made to finalize the criteria."

SECTION 29.3.(c) G.S. 136-189.11(h) reads as rewritten:

"(h) Improvement of Prioritization Process. – The Department shall endeavor to continually improve the methodology and criteria used to score highway and non-highway projects pursuant to this Article, including the use of normalization techniques, and methods to strengthen the data collection process. The Department is directed to continue the use of a workgroup process to develop improvements to the prioritization process. Workgroup participants shall include, but not be limited to, the North Carolina League of Municipalities,

the North Carolina Association of County Commissioners, the North Carolina Metropolitan Mayors Coalition, and the North Carolina Council of Regional Governments. The workgroup, led by the Prioritization Office, shall contain a minimum of four representatives each from the North Carolina Association of Municipal Planning Organizations and the North Carolina Association of Rural Planning Organizations, and these members will be selected by a vote of each organization. Department participants in the workgroup shall not exceed half of the total group. Beginning December 1, 2016, the Department shall report annually to the Joint Legislative Transportation Oversight Committee on any changes made to the highway or non-highway prioritization process and the resulting impact to the State Transportation Improvement Program. The General Assembly members and staff may attend all workgroup meetings related to the prioritization process, all subgroup meetings of the workgroup, and have access to all related workgroup or subgroup documents. Notwithstanding any provision of law to the contrary, activities and decisions of the workgroup established under this subsection shall not be subject to review or approval by the Board of Transportation."

SECTION 29.3.(d) G.S. 136-189.11(d) reads as rewritten:

"(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall be distributed as follows:

…

(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions based on the most recent estimates certified by the Office of State Budget and Management:

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. In determining local input, greater weight shall be given to the rankings identified by Metropolitan Planning Organizations and Rural Transportation Planning Organizations. Transportation Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Regional Impact Projects shall be based thirty percent (30%) on local input and seventy percent (70%) on consideration of a numeric scale of 100 points based on the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.

9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. <u>In determining local input, greater weight shall be given to the rankings identified by Metropolitan Planning Organizations and Rural Transportation Planning Organizations.</u> Transportation Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Division Need Projects shall be based fifty percent (50%) on local input and fifty percent (50%) on consideration of a numeric scale of 100 points based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

b. Alternate criteria. – Funding from the following programs shall be included in the computation of each of the Department division equal shares but shall be subject to alternate quantitative criteria:

1. Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Division Need Projects category.
2. Federal Transportation Alternatives funds appropriated to the State.
3. Federal Railway-Highway Crossings Program funds appropriated to the State.
4. Projects requested from the Department in support of a time-critical job creation opportunity, when the opportunity would be classified as transformational under the Job Development Investment Grant program established pursuant to G.S. 143B-437.52, provided that the total State investment

in each fiscal year for all projects funded under this sub-subdivision shall not exceed ten million dollars ($10,000,000) in the aggregate and five million dollars ($5,000,000) per project.

5. Federal funds for municipal road projects.

c. Bicycle and pedestrian limitation. – The Department shall not provide financial support for independent bicycle and pedestrian improvement projects, except for federal funds administered by the Department for that purpose. This sub-subdivision shall not apply to funds allocated to a municipality pursuant to G.S. 136-41.1 that are committed by the municipality as matching funds for federal funds administered by the Department and used for bicycle and pedestrian improvement projects. This limitation shall not apply to funds authorized for projects in the State Transportation Improvement Program that are scheduled for construction as of October 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

a. The criteria used for selection of projects for a particular transportation mode shall be based on a minimum of four quantitative criteria.

b. Local input shall include rankings of projects identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. <u>In determining local input, greater weight shall be given to the rankings identified by Metropolitan Planning Organizations and Rural Transportation Planning Organizations.</u> Transportation Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g).

c. The criteria shall be based on a scale not to exceed 100 points that includes no bonus points or other alterations favoring any particular mode of transportation."

SECTION 29.3.(e) This section is effective when this act becomes law.

INCREASE AMOUNT OF MOTOR FUEL TAX RATE DIVERSION TO SHALLOW DRAFT FUND

SECTION 29.4. G.S. 105-449.126(b) reads as rewritten:

"(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund ~~one-sixth of one percent (1/6 of 1%)~~<u>one-half percent (1/2%)</u> of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund on a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter."

REQUIRE COUNTY OR MUNICIPALITY TO PAY COSTS ASSOCIATED WITH REQUESTED PROJECT IMPROVEMENTS

SECTION 29.5.(a) G.S. 136-66.3(e) reads as rewritten:

"(e) Authorization to Participate in Project Additions. – Pursuant to an agreement with the Department of Transportation, a county or municipality ~~may~~shall reimburse the Department of Transportation for the cost of all ~~improvements,~~improvements requested by the county or municipality, including additional right-of-way, for a street, highway improvement projects, or other transportation system improvements approved by the Board of Transportation under G.S. 143B-350(f)(4), that are in addition to those improvements that the Department of Transportation would normally include in the project."

SECTION 29.5.(b) This section is effective when it becomes law and applies to agreements entered into on or after that date.

EXPAND USES OF BRIDGE PROGRAM FUNDS

SECTION 29.6. Section 34.18(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.18.(a)** The Department of Transportation shall rename the "system preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this program shall be used for improvements to culverts associated with a component of the State highway system and improvements to structurally deficient and functionally obsolete bridges. All projects funded under this program, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, and planning activities, shall be outsourced to private contractors."

DEPARTMENT OF TRANSPORTATION OUT-OF-STATE TRAVEL

SECTION 29.7. Section 34.5 of S.L. 2014-100 reads as rewritten:

"**SECTION 34.5.** Expenditures for out-of-state travel by the Department of Transportation for the 2014-2015 fiscal year and all subsequent fiscal years shall not exceed the amount expended during the 2009-2010 fiscal year. For purposes of this section, "expenditures for out-of-state travel" includes transportation, conference, registration, and education expenses, lodging, and meals for Department of Transportation employees traveling outside of the ~~State.~~State, but does not include expenditures charged to federal projects and expenditures reimbursed by non-State entities."

DOT/OUTSIDE COUNSEL

SECTION 29.8.(a) Section 34.27 of S.L. 2013-360, as amended by Section 34.24(a) of S.L. 2014-100, is repealed.

SECTION 29.8.(b) Subsections (b), (c), and (e) of Section 34.24 of S.L. 2014-100 are repealed.

SECTION 29.8.(c) G.S. 136-103.1 is repealed.

SECTION 29.8.(d) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-18.03. Outside counsel.**

(a) Intent. – It is the intent of the General Assembly that the Department of Transportation exercise the authority granted by this section to maximize operational and project delivery benefits attributed to the avoidance or successful defense of litigation.

(b) Authorization. – The Department of Transportation may engage the services of private counsel with the pertinent expertise to provide legal services related to (i) any project undertaken by the Department and (ii) workers' compensation claims brought by Department employees. The Department shall supervise and manage the private counsel engaged under this section and shall not be required to obtain written permission or approval from the Attorney General under G.S. 114-2.3.

(c) Performance Metrics. – The Department shall develop performance metrics to evaluate its utilization of in-house counsel and private counsel, to include the following:

(1) A summary of new matters opened by legal area.

(2) Case cycle times.

(3) Resolution of cases.

(4) A comparison of in-house costs to billable rates for private counsel.

(5) The process for procurement for legal services.

(d) Report. – The Department shall provide a semiannual report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Justice and Public Safety Oversight Committee on the performance metrics set forth in subsection (c) of this section."

RIGHT-OF-WAY ACQUISITIONS/REDUCE UNECONOMIC REMNANT PROPERTY

SECTION 29.9.(a) G.S. 136-44.11 is amended by adding a new subsection to read:

"(c) Notwithstanding any other provision of law, the Department shall reduce the total size of each acquired right-of-way by three percent (3%) for the purpose of minimizing the amount of uneconomic remnant property in the State."

SECTION 29.9.(b) This section becomes effective July 1, 2015, and applies to right-of-ways acquired on or after that date.

DOT/REPORT ON CAPITAL IMPROVEMENT NEEDS ESTIMATE

SECTION 29.10. Report. – By October 1, 2015, the Department of Transportation shall provide a detailed report to the Joint Legislative Transportation Oversight Committee on how the Department forms the six-year capital improvement needs estimate required under G.S. 143C-8-4, including how the Department decides (i) how much funding will be required for each fiscal year of the estimate and (ii) what types of projects will be excluded from the estimate.

PRODUCT EVALUATION PROGRAM/INCREASE INNOVATION

SECTION 29.11.(a) Plan. – The Board of Transportation shall develop a plan to bring greater visibility and public awareness to the Product Evaluation Program, a unit of the Department of Transportation that reviews new and innovative technologies and products. As part of its plan, the Board shall add to its monthly public meeting an agenda item that highlights two new technologies, one technology that is under review by the Product Evaluation Program and one technology that was recently approved by the Product Evaluation Program.

SECTION 29.11.(b) Report. – The plan required under subsection (a) of this section shall be submitted to the chairs of the Joint Legislative Transportation Oversight Committee no later than October 1, 2015.

SECTION 29.11.(c) Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-18.03. Product Evaluation Program.**

The Product Evaluation Program, or any successor program operated by the Department of Transportation to review and approve or disapprove new and innovative technologies and products for use by the Department, shall complete its evaluation of a technology or product within one year from the date that the technology or product was submitted for evaluation. Nothing in this section shall be construed as requiring the Product Evaluation Program or any successor program to review all technologies and products submitted to the Product Evaluation Program or any successor program."

SECTION 29.11.(d) Subsection (c) of this section becomes effective July 1, 2015, and applies to technologies and products submitted for review on or after that date. The remainder of this section is effective when this act becomes law.

VARIOUS REPORTING CHANGES

SECTION 29.12.(a) G.S. 136-89.183(a)(5) reads as rewritten:

"(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of the Turnpike Projects. ~~Prior to the effective date of any toll or fee for use of a Turnpike Facility, the~~ The Authority shall submit ~~a description of the~~ an annual report describing any proposed toll or fee rates for the following calendar year to use a Turnpike Facility to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for ~~review.~~review prior to the effective date of the toll or fee rate."

SECTION 29.12.(b) G.S. 143B-350(f)(4) reads as rewritten:

"(4) To approve a schedule of all major transportation improvement projects and their anticipated cost. This schedule is designated the Transportation Improvement Program. The Board shall publish the schedule in a format that is easily reproducible for distribution and make copies available for ~~distribution.~~ distribution in accordance with the process established for public records in Chapter 132 of the General Statutes. The document that contains the Transportation Improvement Program, or a separate document that is published at the same time as the Transportation Improvement Program, shall include the anticipated funding sources for the improvement projects included in the ~~Program,~~ Program and a list of any changes made from the previous year's Program, and the reasons for the changes."

SECTION 29.12.(c) G.S. 136-44.8(a1) reads as rewritten:

"(a1) In each county having unpaved roads programmed for paving, representatives of the Department of Transportation shall annually provide to the board of county commissioners in those counties a list of roads proposed for the annual paving program approved by the Board of Transportation. The paving priority list shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation. In addition to the list required under this subsection, the Department of Transportation shall annually provide to the board of county commissioners a summary of unpaved secondary road projects completed in the particular county for the prior calendar year, including an indication as to which projects were not completed on schedule and a detailed explanation as to why the projects were not completed on schedule."

SECTION 29.12.(d) G.S. 136-44.9 is repealed.

SECTION 29.12.(e) G.S. 136-28.6(h) reads as rewritten:

"(h) The Secretary shall report in writing, on ~~a quarterly~~ an annual basis, to the Joint Legislative ~~Commission on Governmental Operations~~ Transportation Oversight Committee on all agreements entered into between a private developer and the Department of Transportation for participation in private engineering and construction contracts under this section, as well as (i) agreements by counties and municipalities to participate in private engineering and construction contracts under subsection (i) of this section and (ii) pass-through funding from private developers to counties or municipalities for State transportation projects. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(f) G.S. 136-66.3(f) reads as rewritten:

"(f) Report to General Assembly. – The Department shall report in writing, on ~~a monthly~~ an annual basis, to the Joint Legislative ~~Commission on Governmental Operations~~ Transportation Oversight Committee on all agreements entered into between counties, municipalities and the Department of Transportation. The report shall state in summary form

the contents of ~~such~~ the agreements. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(g) G.S. 136-28.10(c) reads as rewritten:

"(c) The Secretary of Transportation shall report ~~quarterly~~ annually to the Joint Legislative Transportation Oversight Committee on the implementation of this section. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(h) G.S. 143B-350 is amended by adding a new subsection to read:

"(p) Reports. – Notwithstanding any other provision of law, any report required to be submitted by the Board to the General Assembly or a committee thereof is due by the 15th day of the month that the report is due."

OUTSOURCING OF PRECONSTRUCTION ACTIVITY

SECTION 29.13.(a) Section 34.13(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.13.(a)** The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department of Transportation shall meet each of the following privatization requirements:

(1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to seventy percent (70%) of the total cost of activities performed by those units in fiscal year ~~2014-2015,~~2015-2016, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.

(2) Increase the outsourcing of all activities performed by the Department's Roadway Design unit to fifty percent (50%) of the total cost of activities performed by that unit in fiscal year ~~2014-2015.~~2015-2016.

(3) Increase the outsourcing of all activities performed by the Department's Project Development and Environmental Analysis unit to sixty-five percent (65%) of the total cost of activities performed by that unit in fiscal year ~~2014-2015.~~2015-2016.

(4) ~~The~~Based on the total expenditures for outsourced activity in fiscal year 2013-2014, the Department's Right-of-Way unit shall increase the total expenditures for outsourced activity by five percent (5%) in fiscal year ~~2014-2015.~~2015-2016."

SECTION 29.13.(b) Section 34.13(d) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.13.(d)** The Department shall report no later than October 1, ~~2014,~~2015, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division regarding its implementation of this section, including any reductions in force used to meet privatization requirements."

ESTABLISHMENT OF "DOT REPORT" PROGRAM

SECTION 29.14.(a) It is the intent of the General Assembly that North Carolina's reputation as the "Good Roads State" is restored, which requires a partnership between the Governor, the Department of Transportation, the General Assembly, and all North Carolina citizens. Further, the General Assembly finds that improving the condition of North Carolina's roads requires increased oversight, accountability, innovation, and efficiency. It is the belief of the General Assembly that, through increased transparency and responsiveness to the public, the condition of the roads in this State will be the best in the nation within 10 years.

SECTION 29.14.(b) To achieve the intent set forth in subsection (a) of this section, the Department of Transportation shall establish and implement the "DOT REPORT" Program (Program). The Program shall include the following components:

(1) Responsiveness. – The Department of Transportation shall expand the Program to gather citizen input and shall commit to quickly addressing structural problems and other road hazards on State-maintained roads. Citizens may report potholes, drainage issues, culvert blockages, guardrail repairs, damaged or missing signs, malfunctioning traffic lights, highway debris, or shoulder damage to the Department of Transportation by calling 1-877-DOT-4YOU or submitting an online work request through the Web site link http://www.ncdot.gov/reportDOT/fixmyroad. Beginning January 1, 2016, upon receiving a citizen report in accordance with this subdivision, the Department of Transportation shall either address the reported problem or identify a solution to the reported problem. Excluding potholes, which shall be repaired within two business days of the date the report is received, the Department of Transportation shall properly address citizen reports no later than 10 business days after the date the citizen report is received. The Department of Transportation shall transmit information received about potholes or other problems on roads not maintained by the State to the appropriate locality within two business days of receiving the citizen report.

(2) Efficiency. – The Department of Transportation shall adopt procedures in all stages of the construction process to streamline project delivery, including consolidating environmental review processes, expediting multiagency reviews, accelerating right-of-way acquisitions, and pursuing design-build and other processes to collapse project stages.

By October 1, 2015, the Department of Transportation shall establish a baseline unit pricing structure for transportation goods used in highway maintenance and construction projects and set annual targets for three years based on its unit pricing. In forming the baseline unit prices and future targets, the Department of Transportation shall collect data from each Highway Division on its expenditures on transportation goods during the 2015-2016 fiscal year. Beginning January 1, 2016, no Highway Division shall exceed a ten-percent (10%) variance over a baseline unit price set for that year in accordance with this subdivision. The Department of Transportation shall institute quarterly tracking to monitor pricing variances. The ten-percent (10%) maximum variance set under this subdivision is intended to account for regional differences requiring varying product mixes. The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on October 1, 2015, on information required by this subdivision. If a Highway Division exceeds the unit pricing threshold, the Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than the fifteenth day following the end of the quarter on why the variance occurred and what steps are being taken to bring the Highway Division back into compliance. In order to drive savings, unit pricing may be reduced annually as efficiencies are achieved.

(3) Performance. – Beginning October 1, 2015, the Secretary of the Department of Transportation shall conduct an annual job satisfaction survey of all Department of Transportation personnel that shall address relationships among all levels of leadership, work environment, issues impacting job

performance, and leadership performance in creating the dynamic work environment necessary to meet new performance outcomes. In addition, the Department of Transportation shall conduct an annual survey of North Carolina citizens to measure the level of citizen satisfaction with the condition of the roads and highways of this State. Within 30 days of compiling the information received from surveys conducted in accordance with this subdivision, the results of these surveys shall be reported to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

(4) Oversight. – No later than May 1, 2016, and to increase budget transparency and allow for greater legislative and citizen oversight, the Department of Transportation, in consultation with the Fiscal Research Division and the Office of State Budget and Management, shall reclassify the funding source for all full-time positions that are budgeted as receipt-supported on the basis of charging to projects to appropriation and shall adjust budgeted funds accordingly. Employees in the Division of Highways shall be attributed to the respective Highway Division fund codes within the Highway Fund. Notwithstanding any other provision of law, the Department of Transportation is authorized to reallocate sufficient funds from the Primary Maintenance, Secondary Maintenance, and General Maintenance Reserve fund codes to each Highway Division to pay for salary and related costs associated with the reclassified positions. Receipt-supported positions in other organizational units within the Department of Transportation shall be funded through existing fund codes and funding sources for their assigned organizational units.

(5) Restructure. – An unbiased review of the organization, staffing, and operations of the Division of Highways within the Department of Transportation is needed to improve the efficiency and effectiveness of the Division of Highways' operations and to align operations and staffing with the strategic goals set for the Division of Highways. To that end, the Joint Legislative Transportation Oversight Committee, through the Fiscal Research Division and in consultation with the Department of Transportation, shall study and review the Division of Highways. The Joint Legislative Transportation Oversight Committee may use a Request for Information process or a Request for Proposals process to contract with a qualified consulting firm to perform this review and study. The study and review, at a minimum, shall include all of the following:

a. A review of current Division of Highways' operations, staffing levels, and employee performance management efforts.

b. An evaluation of current laws and policies related to Division of Highways' operations and staffing.

c. Recommendations on how best to align staffing with strategic goals and workload.

d. Recommendations on performance- or incentive-based systems to improve the effectiveness of the Division of Highways.

e. Recommendations on whether current laws and policies should be continued or modified based upon study results and human resource best practices.

Upon request, the Division of Highways shall provide any information, data, or documents within their possession, available from the Department of Transportation or other State agency records, as well as any other relevant

information, data, or documents to complete this study and review. Information, data, and documents shall be provided in a timely manner to both the Fiscal Research Division and the consultant, if any. Upon request of the Fiscal Research Division or the consultant, if any, the Division of Highways shall dedicate and identify staff to aid in the reviews required in completing this report. The study and review shall be completed by March 31, 2016. The Joint Legislative Transportation Oversight Committee shall report its findings to the 2015 Regular Session of the General Assembly upon its convening in 2016.

(6) Transparency. – In order for the public to access up-to-date information on highway and bridge projects and hold the Department of Transportation accountable for completing projects on time, the Department of Transportation shall adjust its performance dashboard available on the Department of Transportation's home page to track the weekly progress of all of the following:

a. Maintenance projects costing over one million dollars ($1,000,000).
b. Bridge replacement projects.
c. Bridge repair and bridge renovation projects requiring road closures in excess of 24 hours.
d. All construction projects included in the five-year State Transportation Improvement Program.

The Department of Transportation's performance dashboard shall also be expanded to include Highway Division- and county-specific data with more detailed financial reporting and project delivery tracking. Dashboard enhancements required under this subdivision shall be completed by March 1, 2016.

SECTION 29.14.(c) This section is effective when this act becomes law.

STUDY/TURNPIKE AUTHORITY PROCESSING FEE

SECTION 29.15.(a) Study. – The Department of Transportation shall study whether the amount of the processing fee set forth in G.S. 136-89.215 is in excess of the actual cost to collect and process unpaid open road tolls. The following information, set forth separately for each fiscal year since the fee's enactment, shall be included within the study:

(1) The amount of the processing fee.
(2) The total amount of proceeds generated by the imposition of the processing fee.
(3) The total amount of costs incurred by the Turnpike Authority to collect and process unpaid open road tolls and a description of how the Department determined the total amount of costs incurred.
(4) An identification of whether the processing fees collected exceeded, equaled, or fell short of the costs incurred by the Turnpike Authority for collecting and processing unpaid open road tolls.

SECTION 29.15.(b) Report. – The Department shall report its findings to the Joint Legislative Transportation Oversight Committee by October 1, 2015.

ALLOCATION OF CONTRACT RESURFACING FUNDS

SECTION 29.16. Allocation. – Of the eighty-seven million four hundred seventeen thousand four hundred forty-two dollars ($87,417,442) appropriated in this act for fiscal year 2015-2016 and the two hundred fourteen million six hundred sixty-nine thousand five hundred ninety-four dollars ($214,669,594) appropriated in this act for fiscal year 2016-2017 to the Department of Transportation for contract resurfacing, and notwithstanding any provision of

law to the contrary, the Department shall, to the extent practicable, allocate these funds equally to each county in this State.

USE OF FUNDS FOR PAVEMENT PRESERVATION PROGRAM

SECTION 29.17.(a) G.S. 136-44.17 reads as rewritten:

"**§ 136-44.17. Pavement preservation program.**

…

(b) Eligible Activities or Treatments. – Applications eligible for funding under the pavement preservation program include the following preservation activities or treatments for asphalt pavement structures:

(1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals.
(2) Microsurfacing.
(3) Profile milling not covered by resurfacing.
(4) Asphalt rejuvenators.
(5) Open graded asphalt friction course.
(6) Overlays less than 1,000 feet in length.
(7) Diamond grinding.
(8) Joint sealing.
(9) Dowel bar retrofit.
(10) Partial-depth or full-depth repairs and reclamations.
(11) Ultra-thin whitetopping.
(12) Thin lift and sand asphalt overlays.
(13) Asphalt crack sealing.

(c) Ineligible Activities or Treatments. – The pavement preservation program shall not include the following preservation activities or treatments:

(1) Contract resurfacing activities or major pavement rehabilitation treatments and pretreatments that are used in combination with a resurfacing treatment, such as profile milling or chip seals.
(2) Routine maintenance activities used to maintain and preserve the condition of roads. Treatments include, but are not limited to, ~~asphalt crack sealing,~~ pothole patching, rut filling, cleaning of roadside ditches and structures, shoulder maintenance, and retracing of pavement markings.
(3) Maintenance and preservation activities performed on bridges or culverts.
(4) Activities related to positive guidance or signal maintenance program functions.

(d) Encumbrance Schedule. – The Department of Transportation shall spend or encumber all funds appropriated by the General Assembly to the Department for the pavement preservation program by June 30 of the fiscal year in which the funds were appropriated."

SECTION 29.17.(b) Subsection (k) of Section 34.11 of S.L. 2014-100 is repealed.

SECTION 29.17.(c) This section becomes effective July 1, 2015, and applies to funds appropriated on or after that date.

REPORT/USE OF COAL COMBUSTION RESIDUALS

SECTION 29.18. Report. – By January 15, 2016, the Utilities Commission shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and the Environmental Review Commission on the incremental cost incentives related to coal combustion residuals surface impoundments for investor-owned public utilities. The report shall include all of the following:

(1) The Utilities Commission policy on allowed incremental cost recoupment.
(2) The impact on utility customers' rates under the current policy on allowed incremental cost recoupment.

(3) Possible revisions to the current policy on allowed incremental cost recoupment that would promote reprocessing and other technologies that allow the reuse of coal combustion residuals stored in surface impoundments for concrete and other beneficial end uses.

BONUS ALLOCATION FOR MID-CURRITUCK BRIDGE PROJECT

SECTION 29.19. G.S. 136-189.11(f) reads as rewritten:

"(f) Incentives for Local Funding and Highway Tolling. – The Department may revise highway project selection ratings based on local government funding initiatives and capital construction funding directly attributable to highway toll revenue. ~~Projects~~ Subject to the following requirements and limitations, projects authorized for construction after November 1, 2013, and contained in the 10-year Department of Transportation work program are eligible for a bonus allocation under this subsection:

…

(3) Funds obtained through highway tolling. – Upon authorization to construct a project with funding from toll revenue, the Department shall make available for allocation an amount equal to one-half of the project construction cost derived from toll revenue bonds. The amount made available for allocation to other eligible highway projects shall not exceed two hundred million dollars ($200,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds have been committed on or before July 1, 2015. The amount made available for allocation to other eligible highway projects shall not exceed one hundred million dollars ($100,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds are committed after July 1, 2015. If the toll project is located in one or more Metropolitan Planning Organization or Rural Transportation Planning Organization boundaries, based on the boundaries in existence at the time of letting of the project construction contract, the bonus allocation shall be distributed proportionately to lane miles of new capacity within the Organization's boundaries. The Organization shall apply the bonus allocation only within those counties in which the toll project is located. Notwithstanding the requirement in this subsection directing the distribution of a bonus allocation to a Metropolitan Planning Organization, Rural Planning Organization, or local government, a bonus allocation made available under this subdivision for the Mid-Currituck Bridge project shall be distributed to the highway division having jurisdiction over the county where the Mid-Currituck Bridge project is located for use in accordance with subdivision (4) of this subsection. Nothing in this subdivision shall be construed as requiring the construction of the Mid-Currituck Bridge project.

…."

UTILITY RELOCATION

SECTION 29.20.(a) G.S. 136-27.1 reads as rewritten:

"**§ 136-27.1. Relocation of water and sewer lines of municipalities and nonprofit water or sewer corporations or associations.**

The Department of Transportation shall pay the nonbetterment cost for the relocation of water and sewer lines, located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project and that are owned

by: (i) a municipality with a population of ~~5,500~~10,000 or less according to the latest decennial census; (ii) a nonprofit water or sewer association or corporation; (iii) any water or sewer system organized pursuant to Chapter 162A of the General Statutes; (iv) a rural water system operated by a County as an enterprise system; (v) any sanitary district organized pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes; or (vi) constructed by a water or sewer system organized pursuant to Chapter 162A of the General Statutes and then sold or transferred to a municipality with a population of greater than ~~5,500~~10,000 according to the latest decennial census. A municipality with a population greater than 10,000 shall pay a percentage of the nonbetterment cost for relocation of water and sewer lines, owned by the municipality and located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project. The percentage shall be based on the municipality's population, with the Department paying the remaining costs, as follows:

(1) A municipality with a population greater than 10,000, but less than 25,000, shall pay twenty-five percent (25%) of the cost.

(2) A municipality with a population of 25,000 or greater, but less than 50,000, shall pay fifty percent (50%) of the cost.

(3) A municipality with a population of 50,000 or greater shall pay one hundred percent (100%) of the cost."

SECTION 29.20.(b) This section is effective when it becomes law.

RAIL DIVISION/STUDY ESTABLISHING COMMERCIAL FREIGHT RAIL SERVICE IN JACKSONVILLE

SECTION 29.21.(a) Study. – The Rail Division of the Department of Transportation, in collaboration with the Camp Lejeune Marine Corps Air Base, the Jacksonville Urban Area Metropolitan Planning Organization, the City of Jacksonville, Onslow County, and the Norfolk Southern Railway Company, shall study the feasibility and advisability of establishing a commercial freight rail service along the Camp Lejeune rail line located in Onslow County, North Carolina. The study shall include all of the following:

(1) An evaluation of the maintenance needs of the existing rail line and any enhancements needed to support commercial freight access.

(2) An evaluation of the use of partnership opportunities to complete long-term maintenance and enhancements in order to minimize the cost burden for all parties involved.

(3) Any other matters that the Rail Division deems relevant to the study.

SECTION 29.21.(b) Report. – The Rail Division shall report its findings to the Chairs of the Senate Appropriations Committee on the Department of Transportation and the House of Representatives Committee on Transportation Appropriations by July 1, 2016.

PASSENGER RAIL RECEIPT-GENERATING ACTIVITIES

SECTION 29.22.(a) G.S. 136-18 is amended by adding a new subdivision to read:

"(44a) Where the Department owns or leases the passenger rail facility, owns the rail equipment, or holds leasehold or license rights for the purpose of operating passenger stations, the Department may operate or contract for the following receipt-generating activities and use the proceeds to fund passenger rail operations:

a. Where the Department owns the passenger rail facility or owns or leases the rail equipment, operation of concessions on State-funded passenger trains and at passenger rail facilities to provide to passengers food, drink, and other refreshments, personal comfort

items, Internet access, and souvenirs publicizing the passenger rail system.

b. Where the Department holds leasehold or license rights for the purpose of operating passenger stations, operation of concessions at rail passenger facilities to provide food, drink, and other refreshments, personal comfort items, Internet access, and souvenirs publicizing the passenger rail system, in accordance with the terms of the leasehold or license.

c. Advertising on or within the Department's passenger rail equipment or facility, including display advertising and advertising delivered to passengers through the use of video monitors, public address systems installed in passenger areas, and other electronic media.

d. The sale of naming rights to Department-owned passenger rail equipment or facilities."

SECTION 29.22.(b) G.S. 66-58(c)(21) reads as rewritten:

"(21) Any activity conducted or contracted for by the Department of Transportation that is authorized by G.S. 136-18(44a) or G.S. 136-82(f)."

FREIGHT RAIL & RAIL CROSSING SAFETY IMPROVEMENT FUND USES

SECTION 29.23. G.S. 124-5.1 reads as rewritten:

"**§ 124-5.1. North Carolina Railroad Company dividends deposited to Highway Fund.**

Any dividends of the North Carolina Railroad Company received by the State shall be deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund and administered by the Rail Division of the Department of Transportation. The Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing safety, which may include the following project types:

(1) Track and associated infrastructure improvements for freight service.

(2) Grade crossing protection, elimination, and hazard removal.

(3) Signalization improvements.

(4) Assistance for projects to improve rail access to industrial, port, and military facilities and for freight intermodal facility improvements, provided that funding assistance under this subdivision shall be subject to the same limits as that for short-line railroads under G.S. 136-44.39.

(5) Corridor protection and reactivation.

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program."

FERRY TOLLS/REMOVE EXEMPTION FROM CHAPTER 150B

SECTION 29.24.(a) G.S. 136-82(b) reads as rewritten:

"(b) Establishment of Tolling. – The Board of Transportation may establish tolls on any untolled ferry route as set forth in this subsection. Prior to establishing tolls on an untolled ferry route, the Board of Transportation must receive a resolution approved by the Transportation Advisory Committee of each affected local transportation planning organization requesting tolls on that route. No later than March 1, 2014, the Department shall hold a separate public hearing in the geographic area of each untolled ferry route and invite each affected local transportation planning organization. At the public hearing, the Department shall present an explanation of the toll setting methodology, the impact of tolling on the availability of funding for other local transportation priorities, and the minimum and maximum toll rates. After the public hearing, an affected local transportation planning organization may consider and adopt a ferry tolling resolution. The Board of Transportation shall adopt the toll at its next regularly

scheduled meeting after receipt of the ferry tolling resolutions required by this subsection. The Department shall collect the toll as soon as is feasible following its adoption, but in no case more than 180 days after adoption of the toll. ~~The establishment of tolls by the Board of Transportation pursuant to the authority granted in this section shall be exempt from the provisions of Chapter 150B of the General Statutes.~~ For purposes of this section, "affected local transportation planning organization" means any Metropolitan Planning Organization or Rural Transportation Planning Organization with geographic jurisdiction over any part of an untolled ferry route, and "untolled ferry route" means any ferry route for which no tolls were in effect as of June 30, 2013."

SECTION 29.24.(b) This section becomes effective July 1, 2015, and applies to tolls established or revised on or after that date.

REMOVE FERRY VESSEL REPLACEMENT FROM STI/BRIDGE PROGRAM REVISIONS

SECTION 29.25.(a) G.S. 136-189.10 reads as rewritten:

"**§ 136-189.10. Definitions.**

The following definitions apply in this Article:

…

(2) Division needs projects. – Includes only the following:

a. Projects listed in subdivision (3) or (4) of this section, subject to the limitations noted in those subsections.

b. State highway routes not included in subdivision (3) or (4) of this section.

c. Airports included in the NPIAS that are not included in subdivision (3) or (4) of this section, provided that the State's total annual financial participation under this sub-subdivision shall not exceed eighteen million five hundred thousand dollars ($18,500,000).

d. Rail lines not included in subdivision (3) or (4) of this section. This sub-subdivision does not include short-line railroads.

e. Public transportation service not included in subdivision (3) or (4) of this section. This sub-subdivision includes commuter rail, intercity rail, and light rail.

f. Multimodal terminals and stations serving passenger transit systems.

g. Federally funded independent bicycle and pedestrian improvements.

~~h. Replacement of State-maintained ferry vessels.~~

i. Federally funded municipal road projects.

(3) Regional impact projects. – Includes only the following:

a. Projects listed in subdivision (4) of this section, subject to the limitations noted in that subdivision.

b. U.S. highway routes not included in subdivision (4) of this section.

c. N.C. highway routes not included in subdivision (4) of this section.

d. Commercial service airports included in the NPIAS that are not included in subdivision (4) of this section, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed three hundred thousand dollars ($300,000).

e. The State-maintained ferry system, excluding ~~passenger~~ vessel rehabilitation and replacement.

f. Rail lines that span two or more counties not included in subdivision (4) of this section. This sub-subdivision does not include short-line railroads.

g. Public transportation service that spans two or more counties and that serves more than one municipality. Programmed funds pursuant to this sub-subdivision shall not exceed ten percent (10%) of any distribution region allocation. This sub-subdivision includes commuter rail, intercity rail, and light rail.

…."

SECTION 29.25.(b) Section 34.18(a) of S.L. 2014-100, as amended by Section 29.6 of this act, reads as rewritten:

"**SECTION 34.18.(a)** The Department of Transportation shall rename the "system preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this program shall be used for (i) improvements to culverts associated with a component of the State highway ~~system and~~ system, (ii) improvements to structurally deficient and functionally obsolete ~~bridges.~~ bridges, (iii) ferry vessel replacement projects, and (iv) ferry vessel rehabilitation projects. All projects funded under this program, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, ~~and~~ planning ~~activities,~~ activities, ferry vessel replacement, and ferry vessel rehabilitation, shall be outsourced to private contractors."

SECTION 29.25.(c) G.S. 136-82(d) reads as rewritten:

"(d) Use of Toll Proceeds. – ~~The~~ Except for the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras ferry route, the Department of Transportation shall credit the proceeds from tolls collected on North Carolina Ferry System routes and receipts generated under subsection (f) of this section to ~~reserve accounts within the Highway Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminals from which a passenger trip originates and terminates. Commuter pass receipts shall be credited proportionately to each reserve account based on the distribution of trips originating and terminating in each Highway Division. The proceeds credited to each reserve account~~ the bridge program under the Department of Transportation in the highway maintenance program, and the proceeds shall be used ~~exclusively~~ for prioritized North Carolina Ferry System ferry ~~passenger~~ vessel rehabilitation or replacement ~~projects in the Division in which the proceeds are earned.~~ projects. The Department of Transportation shall credit the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras ferry route to a reserve account within the Highway Fund for the Highway Division in which the system terminal is located and the fares are earned and the proceeds shall be used for operations and system improvements. Proceeds may be used to fund ferry ~~passenger~~ vessel rehabilitation or replacement projects or supplement funds allocated for ferry ~~passenger~~ vessel rehabilitation or replacement projects approved in the Transportation Improvement Program."

SECTION 29.25.(d) Except for the reserve account within the Highway Fund in which the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras ferry route are credited, the reserve accounts within the Highway Fund in which the proceeds from tolls collected on North Carolina Ferry System routes are credited under G.S. 136-82 shall be closed and the remaining unencumbered fund balance shall be transferred to the bridge program (Fund Code 84210-7839).

CLARIFY APPLICABILITY OF STI TO ACQUISITION OF WALK-ON ONLY FERRY VESSELS FOR OCRACOKE/HATTERAS FERRY ROUTE

SECTION 29.26. The acquisition of walk-on only ferry vessels for the Ocracoke/Hatteras ferry route shall not be subject to Article 14B of Chapter 136 of the General Statutes.

USE OF FUNDS APPROPRIATED TO DIVISION OF AVIATION

SECTION 29.27. The Division of Aviation of the Department of Transportation may use funds appropriated in this act to the Division for time-sensitive, aviation-related economic development projects.

UNMANNED AIRCRAFT SYSTEM LAW CLARIFICATION

SECTION 29.28.(a) Section 7.16(e) of S.L. 2013-360, as amended by Section 7.11(a) of S.L. 2014-100, reads as rewritten:

"**SECTION 7.16.(e)** Until December 31, 2015, ~~no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately~~ the State CIO shall have the authority to approve or disapprove (i) the procurement or operation of an unmanned aircraft system by agents or agencies of the State or a political subdivision of the State and (ii) the disclosure of personal information about any person acquired through the operation of an unmanned aircraft system by agents or agencies of the State or a political subdivision of the State. When making a decision under this subsection, the State CIO may consult with the Division of Aviation of the Department of Transportation. The State CIO shall immediately report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research ~~Division.~~ Division on all decisions made under this subsection. Notwithstanding G.S. 63-95(c), agents or agencies of the State or a political subdivision of the State that receive State CIO approval under this subsection may procure or operate an unmanned aircraft system prior to the implementation of the knowledge test required by G.S. 63-95. In addition to receiving approval from the State CIO under this subsection, agents or agencies of the State or a political subdivision of the State who submit a request on or after the date of implementation of the knowledge test required by G.S. 63-95 shall also be subject to the provisions of that section. The following definitions apply in this section:

(1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.

(2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system."

SECTION 29.28.(b) Section 34.30(j) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.30.(j)** ~~No~~Except as authorized under Section 7.16(e) of S.L. 2013-360, as amended by Section 7.11(a) of S.L. 2014-100, no operation of unmanned aircraft systems by agents or agencies of the ~~State, or agents or agencies of~~ State or a political subdivision of the ~~State,~~ State shall be authorized in this State until the knowledge ~~and skills~~ test required by G.S. 63-95, as enacted in subsection (g) of this section, has been implemented.

No operation of unmanned aircraft systems for commercial purposes shall be authorized in this State until the FAA has authorized commercial operations and the licensing system required by G.S. 63-96, as enacted in subsection (g) of this section, has been implemented."

SECTION 29.28.(c) G.S. 63-95(b) reads as rewritten:

"(b) The Division shall develop a knowledge ~~and skills~~ test for operating an unmanned aircraft system that complies with all applicable State and federal regulations and shall provide for administration of the test. The test shall ensure that the operator of an unmanned aircraft system is knowledgeable of the State statutes and regulations regarding the operation of unmanned aircraft systems. The Division may permit a person, including an agency of this State, an agency of a political subdivision of this State, an employer, or a private training

facility, to administer the test developed pursuant to this subsection, provided the test is the same as that administered by the Division and complies with all applicable State and federal regulations."

SECTION 29.28.(d) G.S. 63-96 reads as rewritten:

"**§ 63-96. ~~License~~ Permit required for commercial operation of unmanned aircraft systems.**

(a) No person shall operate an unmanned aircraft system, as defined in G.S. 15A-300.1, in this State for commercial purposes unless the person is in possession of a ~~license~~ permit issued by the Division valid for the unmanned aircraft system being operated. Application for such ~~license~~ permit shall be made in the manner provided by the Division. Unless suspended or revoked, the ~~license~~ permit shall be effective for a period to be established by the Division not exceeding eight years.

(b) No person shall be issued a ~~license~~ permit under this section unless all of the following apply:

(1) The person is at least ~~18~~ 17 years of age.

(2) The person possesses a valid drivers license issued by any state or territory of the United States or the District of Columbia.

(3) The person has passed the knowledge ~~and skills~~ test for operating an unmanned aircraft system as prescribed in G.S. 63-95(b).

(4) The person has satisfied all other applicable requirements of this Article or federal regulation.

(c) A ~~license~~ permit to operate an unmanned aircraft system for commercial purposes shall not be issued to a person while the person's license or permit to operate an unmanned aircraft system is suspended, revoked, or cancelled in any state.

(d) The Division shall develop and administer a program that complies with all applicable federal regulations to ~~license~~ issue permits to operators of unmanned aircraft systems for commercial purposes. The program must include the following components:

(1) A system for classifying unmanned aircraft systems based on characteristics determined to be appropriate by the Division.

(2) A fee structure for ~~licenses.~~permits.

(3) A ~~license~~ permit application ~~process.~~process, which shall include a requirement that the Division provide notice to an applicant of the Division's decision on issuance of a permit no later than 10 days from the date the Division receives the applicant's application.

(4) Technical guidance for complying with program requirements.

(5) Criteria under which the Division may suspend or revoke a ~~license.~~permit.

(6) Criteria under which the Division may waive ~~licensure~~ permitting requirements for applicants currently holding a valid license or permit to operate unmanned aircraft systems issued by another state or territory of the United States, the District of Columbia, or the United States.

(7) A designation of the geographic area within which a ~~licensee~~ permittee shall be authorized to operate an unmanned aircraft system. The rules adopted by the Division for designating a geographic area pursuant to this subdivision shall be no more restrictive than the rules or regulations adopted by the Federal Aviation Administration for designating a geographic area for the commercial operation of unmanned aircraft systems.

(8) Requirements pertaining to the collection, use, and retention of data by ~~licensees~~ permittees obtained through the operation of unmanned aircraft systems, to be established in consultation with the State Chief Information Officer.

(9) Requirements for the marking of each unmanned aircraft system operated pursuant to a ~~license~~ permit issued under this section sufficient to ~~permit~~ allow identification of the owner of the system and the person ~~licensed~~ issued a permit to operate it.

(10) A system for providing agencies that conduct other operations within regulated airspace with the identity and contact information of ~~licensees~~ permittees and the geographic areas within which the ~~licensee~~ permittee is ~~permitted~~ authorized to operate an unmanned aircraft system.

(e) A person who operates an unmanned aircraft system for commercial purposes other than as ~~permitted~~ authorized under this section shall be guilty of a Class 1 misdemeanor.

(f) The Division may issue rules and regulations to implement the provisions of this section."

SECTION 29.28.(e) Prior to the implementation of the knowledge test and permitting process required by G.S. 63-96, any person authorized by the FAA for commercial operation of an unmanned aircraft system in this State shall not be in violation of that statute, provided that they make application for a State permit for commercial operation within 60 days of the full implementation of the permitting process and are issued a State commercial operation permit in due course.

SECTION 29.28.(f) This section is effective when this act becomes law.

MOTOR FUEL TAX RATE CHANGE

SECTION 29.29.(a) G.S. 105-449.80(a), as amended by Section 2.2(a) of S.L. 2015-2, reads as rewritten:

"(a) Rate. – ~~For the period that begins~~ Beginning on January 1, 2016, ~~and ends on June 30, 2016,~~ the motor fuel excise tax rate is a flat rate of ~~thirty-five cents (35¢)~~ thirty-six cents (36¢) per ~~gallon. For the period that begins on July 1, 2016, and ends on December 31, 2016, the motor fuel excise tax rate is a flat rate of thirty-four cents (34¢) per gallon. For the calendar years beginning on January 1, 2017, the motor fuel excise tax rate is a flat rate of thirty-four cents (34¢) per gallon, multiplied by a percentage.~~ gallon for diesel fuel and thirty-three cents (33¢) per gallon for all other motor fuels. For calendar years beginning on or after January 1, ~~2018,~~ 2017, the motor fuel excise tax rate is the amount for the preceding calendar year, multiplied by a percentage. The percentage is one hundred percent (100%) plus or minus the sum of the following:

(1) The percentage change in population for the applicable calendar year, as estimated under G.S. 143C-2-2, multiplied by seventy-five percent (75%).

(2) The annual percentage change in the Consumer Price Index for All Urban Consumers, multiplied by twenty-five percent (25%). For purposes of this subdivision, "Consumer Price Index for All Urban Consumers" means the United States city average for energy index contained in the detailed report released in the October prior to the applicable calendar year by the Bureau of Labor Statistics of the United States Department of Labor."

SECTION 29.29.(b) This section becomes effective January 1, 2016.

INCREASE DMV FEES

SECTION 29.30.(a) G.S. 20-7 reads as rewritten:

"**§ 20-7. Issuance and renewal of drivers licenses.**

…

(i) Fees. – The fee for a regular drivers license is the amount set in the following table multiplied by the number of years in the period for which the license is issued:

Class of Regular License	Fee for Each Year
Class A	~~$4.00~~$6.00

Class B ~~$4.00~~$6.00
Class C ~~$4.00~~$6.00

The fee for a motorcycle endorsement is ~~one dollar and seventy-five cents ($1.75)~~two dollars and sixty cents ($2.60) for each year of the period for which the endorsement is issued. The appropriate fee shall be paid before a person receives a regular drivers license or an endorsement.

(i1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00). A person whose drivers license has been revoked under G.S. 20-17(a)(2) shall pay a restoration fee of ~~one hundred dollars ($100.00).~~one hundred fifty dollars ($150.00). The fee shall be paid to the Division prior to the issuance to such person of a new drivers license or the restoration of the drivers license. The restoration fee shall be paid to the Division in addition to any and all fees which may be provided by law. This restoration fee shall not be required from any licensee whose license was revoked or voluntarily surrendered for medical or health reasons whether or not a medical evaluation was conducted pursuant to this Chapter. The ~~fifty-dollar ($50.00) fee,~~seventy-five-dollar ($75.00) fee, and the first ~~fifty dollars ($50.00)~~one hundred dollars ($100.00) of the ~~one-hundred-dollar ($100.00)~~one-hundred-fifty-dollar ($150.00) fee, shall be deposited in the Highway Fund. Twenty-five dollars ($25.00) of the ~~one-hundred-dollar ($100.00)~~one-hundred-fifty-dollar ($150.00) fee shall be used to fund a statewide chemical alcohol testing program administered by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services. The remainder of the ~~one-hundred-dollar ($100.00)~~one-hundred-fifty-dollar ($150.00) fee shall be deposited in the General Fund. The Office of State Budget and Management shall annually report to the General Assembly the amount of fees deposited in the General Fund and transferred to the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services under this subsection.

Effective with the 2011-2012 fiscal year, from the funds deposited in the General Fund under this subsection the sum of five hundred thirty-seven thousand four hundred fifty-five dollars ($537,455) shall be transferred annually to the Board of Governors of The University of North Carolina to be used for the operating expenses of the Bowles Center for Alcohol Studies at The University of North Carolina at Chapel Hill.

…

(l) Learner's Permit. – A person who is at least 18 years old may obtain a learner's permit. A learner's permit authorizes the permit holder to drive a specified type or class of motor vehicle while in possession of the permit. A learner's permit is valid for a period of 18 months after it is issued. The fee for a learner's permit is ~~fifteen dollars ($15.00).~~twenty-two dollars and fifty cents ($22.50). A learner's permit may be renewed, or a second learner's permit may be issued, for an additional period of 18 months. The permit holder must, while operating a motor vehicle over the highways, be accompanied by a person who is licensed to operate the motor vehicle being driven and is seated beside the permit holder.

…."

SECTION 29.30.(b) G.S. 20-11(j) reads as rewritten:

"(j) Duration and Fee. — A limited learner's permit expires on the eighteenth birthday of the permit holder. A limited provisional license expires on the eighteenth birthday of the license holder. A limited learner's permit or limited provisional license issued under this section that expires on a weekend or State holiday shall remain valid through the fifth regular State business day following the date of expiration. A full provisional license expires on the date set under G.S. 20-7(f). The fee for a limited learner's permit or a limited provisional license is ~~fifteen dollars ($15.00).~~twenty-two dollars and fifty cents ($22.50). The fee for a full provisional license is the amount set under G.S. 20-7(i)."

SECTION 29.30.(c) G.S. 20-14 reads as rewritten:

"**§ 20-14. Duplicate licenses.**

A person may obtain a duplicate of a license issued by the Division by paying a fee of ~~ten dollars ($10.00)~~fifteen dollars ($15.00) and giving the Division satisfactory proof that any of the following has occurred:

(1) The person's license has been lost or destroyed.

(2) It is necessary to change the name or address on the license.

(3) Because of age, the person is entitled to a license with a different color photographic background or a different color border.

(4) The Division revoked the person's license, the revocation period has expired, and the period for which the license was issued has not expired."

SECTION 29.30.(d) G.S. 20-16(e) reads as rewritten:

"(e) The Division may conduct driver improvement clinics for the benefit of those who have been convicted of one or more violations of this Chapter. Each driver attending a driver improvement clinic shall pay a fee of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00)."

SECTION 29.30.(e) G.S. 20-26(c) reads as rewritten:

"(c) The Division shall furnish copies of license records required to be kept by subsection (a) of this section in accordance with G.S. 20-43.1 to other persons for uses other than official upon prepayment of the following fees:

(1) Limited extract copy of license record, for period up to three years ..... ~~$8.00~~$12.00

(2) Complete extract copy of license record ..... ~~8.00~~12.00

(3) Certified true copy of complete license record ..... ~~11.00.~~16.50.

All fees received by the Division under this subsection shall be credited to the Highway Fund."

SECTION 29.30.(f) G.S. 20-37.15(a1) reads as rewritten:

"(a1) The application must be accompanied by a nonrefundable application fee of ~~thirty dollars ($30.00).~~forty-five dollars ($45.00). This fee does not apply in any of the following circumstances:

(1) When an individual surrenders a commercial driver learner's permit issued by the Division when submitting the application.

(2) When the application is to renew a commercial drivers license issued by the Division.

This fee shall entitle the applicant to three attempts to pass the written knowledge test without payment of a new fee. No application fee shall be charged to an applicant eligible for a waiver under G.S. 20-37.13(c)."

SECTION 29.30.(g) G.S. 20-37.16(d) reads as rewritten:

"(d) The fee for a Class A, B, or C commercial drivers license is ~~fifteen dollars ($15.00)~~twenty-two dollars and fifty cents ($22.50) for each year of the period for which the license is issued. The fee for each endorsement is ~~three dollars ($3.00)~~four dollars and fifty cents ($4.50) for each year of the period for which the endorsement is issued. The fees required under this section do not apply to employees of the Driver License Section of the Division who are designated by the Commissioner."

SECTION 29.30.(h) G.S. 20-42(b) reads as rewritten:

"(b) The Commissioner and officers of the Division designated by the Commissioner may prepare under the seal of the Division and deliver upon request a certified copy of any document of the Division for a fee. The fee for a document, other than an accident report under G.S. 20-166.1, is ~~ten dollars ($10.00).~~fifteen dollars ($15.00). The fee for an accident report is five dollars ($5.00). A certified copy shall be admissible in any proceeding in any court in like manner as the original thereof, without further certification. The certification fee does not apply to a document furnished for official use to a judicial official or to an official of the federal government, a state government, or a local government."

SECTION 29.30.(j) G.S. 20-73(c) reads as rewritten:

"(c) Penalties. – A person to whom a vehicle is transferred who fails to apply for a certificate of title within the required time is subject to a civil penalty of ~~fifteen dollars ($15.00)~~twenty-two dollars and fifty cents ($22.50) and is guilty of a Class 2 misdemeanor. A person who undertakes to apply for a certificate of title on behalf of another person and who fails to apply for a title within the required time is subject to a civil penalty of ~~fifteen dollars ($15.00).~~twenty-two dollars and fifty cents ($22.50). When a person to whom a vehicle is transferred fails to obtain a title within the required time because a person who undertook to apply for the certificate of title did not do so within the required time, the Division may impose a civil penalty only on the person who undertook to apply for the title. Civil penalties collected under this subsection shall be credited to the Highway Fund."

SECTION 29.30.(k) G.S. 20-85(a) reads as rewritten:

"(a) The following fees are imposed concerning a certificate of title, a registration card, or a registration plate for a motor vehicle. These fees are payable to the Division and are in addition to the tax imposed by Article 5A of Chapter 105 of the General Statutes.

(1) Each application for certificate of title ..... ~~$40.00~~$60.00
(2) Each application for duplicate or corrected certificate of title ..... ~~15.00~~22.50
(3) Each application of repossessor for certificate of title ..... ~~15.00~~22.50
(4) Each transfer of registration ..... ~~15.00~~22.50
(5) Each set of replacement registration plates ..... ~~15.00~~22.50
(6) Each application for duplicate registration card ..... ~~15.00~~22.50
(7) Each application for recording supplementary lien ..... ~~15.00~~22.50
(8) Each application for removing a lien from a certificate of title .... ~~15.00~~22.50
(9) Each application for certificate of title for a motor vehicle transferred to a manufacturer, as defined in G.S. 20-286, or a motor vehicle retailer for the purpose of resale ..... ~~15.00~~22.50
(10) Each application for a salvage certificate of title made by an insurer or by a used motor vehicle dealer pursuant to subdivision (b)(2) or subsection (e1) of G.S. 20-109.1 ..... ~~15.00~~22.50
(11) Each set of replacement Stock Car Racing Theme plates issued under G.S. 20-79.4 ..... 25.00."

SECTION 29.30.(l) G.S. 20-85.1(b) reads as rewritten:

"(b) The Commissioner and the employees of the Division designated by the Commissioner may prepare and deliver upon request a certificate of title, charging a fee of ~~seventy-five dollars ($75.00)~~one hundred twelve dollars and fifty cents ($112.50) for one-day title service, in lieu of the title fee required by G.S. 20-85(a). The fee for one-day title service must be paid by cash or by certified check. This fee shall be credited to the Highway Trust Fund."

SECTION 29.30.(m) G.S. 20-87 reads as rewritten:

"**§ 20-87. Passenger vehicle registration fees.**

These fees shall be paid to the Division annually for the registration and licensing of passenger vehicles, according to the following classifications and schedules:

(1) For-Hire Passenger Vehicles. – The fee for a passenger vehicle that is operated for compensation and has a capacity of 15 passengers or less is ~~seventy-eight dollars ($78.00).~~one hundred seventeen dollars ($117.00). The fee for a passenger vehicle that is operated for compensation and has a capacity of more than 15 passengers is ~~one dollar and forty cents ($1.40)~~two dollars and ten cents ($2.10) per hundred pounds of empty weight of the vehicle.
(2) U-Drive-It Vehicles. – U-drive-it vehicles shall pay the following tax:

Motorcycles:	1-passenger capacity	~~$18.00~~$27.00
	2-passenger capacity	~~22.00~~33.00
	3-passenger capacity	~~26.00~~39.00
Automobiles:	15 or fewer passengers	~~$51.00~~$76.50
Buses:	16 or more passengers	~~$2.00~~$3.00 per hundred pounds of empty weight
Trucks under 7,000 pounds that do not haul products for hire:	4,000 pounds	~~$41.50~~$62.25
	5,000 pounds	~~$51.00~~$76.50
	6,000 pounds	~~$61.00.~~$91.50.

…

(5) Private Passenger Vehicles. – There shall be paid to the Division annually, as of the first day of January, for the registration and licensing of private passenger vehicles, fees according to the following classifications and schedules:

Private passenger vehicles of not more than fifteen passengers ~~$28.00~~$42.00

Private passenger vehicles over fifteen passengers..... ~~31.00~~46.50

Provided, that a fee of only ~~one dollar ($1.00)~~one dollar and fifty cents ($1.50) shall be charged for any vehicle given by the federal government to any veteran on account of any disability suffered during war so long as such vehicle is owned by the original donee or other veteran entitled to receive such gift under Title 38, section 252, United States Code Annotated.

(6) Private Motorcycles. – The base fee on private passenger motorcycles shall be ~~fifteen dollars ($15.00);~~twenty-two dollars and fifty cents ($22.50); except that when a motorcycle is equipped with an additional form of device designed to transport persons or property, the base fee shall be ~~twenty-two dollars ($22.00).~~thirty-three dollars ($33.00). An additional fee of ~~three dollars ($3.00)~~four dollars and fifty cents ($4.50) is imposed on each private motorcycle registered under this subdivision in addition to the base fee. The revenue from the additional fee, in addition to any other funds appropriated for this purpose, shall be used to fund the Motorcycle Safety Instruction Program created in G.S. 115D-72.

…

(9) House Trailers. – In lieu of other registration and license fees levied on house trailers under this section or G.S. 20-88, the registration and license fee on house trailers shall be ~~eleven dollars ($11.00)~~sixteen dollars and fifty cents ($16.50) for the license year or any portion thereof.

…

(11) Any vehicle fee determined under this section according to the weight of the vehicle shall be increased by the sum of ~~three dollars ($3.00)~~four dollars and fifty cents ($4.50) to arrive at the total fee.

…

(13) Additional fee for certain electric vehicles. – At the time of an initial registration or registration renewal, the owner of a plug-in electric vehicle that is not a low-speed vehicle and that does not rely on a nonelectric source of power shall pay a fee in the amount of ~~one hundred dollars ($100.00)~~one

hundred fifty dollars ($150.00) in addition to any other required registration fees."

SECTION 29.30.(n) Article 3 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-88.03. Late fee; motor vehicle registration.**

(a) Late Fee. – In addition to the applicable fees required under this Article for the registration of a motor vehicle and any interest assessed under G.S. 105-330.4, the Division shall charge a late fee according to the following schedule to a person who pays the applicable registration fee required under this Article after the registration expires:

(1) If the registration has been expired for less than one month, a late fee of fifteen dollars ($15.00).

(2) If the registration has been expired for one month or greater, but less than two months, a late fee of twenty dollars ($20.00).

(3) If the registration has been expired for two months or greater, a late fee of twenty-five dollars ($25.00).

(b) Proceeds. – The clear proceeds of any late fee charged under this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(c) Construction. – For purposes of this section, payment by mail of a registration fee required under this Article is considered to be made on the date shown on the postmark stamped by the United States Postal Service. If payment by mail is not postmarked or does not show the date of mailing, the payment is considered to be made on the date the Division receives the payment."

SECTION 29.30.(o) G.S. 105-330.10 reads as rewritten:

"**§ 105-330.10. Disposition of interest.**

The interest collected on unpaid registration fees pursuant to G.S. 105-330.4 shall be transferred on a monthly basis to the North Carolina Highway ~~Fund for technology improvements within the Division of Motor Vehicles.~~Fund."

SECTION 29.30.(p) G.S. 20-88 reads as rewritten:

"**§ 20-88. Property-hauling vehicles.**

…

(b) The following fees are imposed on the annual registration of self-propelled property-hauling vehicles; the fees are based on the type of vehicle and its weight:

SCHEDULE OF WEIGHTS AND RATES

Rates Per Hundred Pound Gross Weight

	Farmer Rate
Not over 4,000 pounds	~~$0.29~~$0.44
4,001 to 9,000 pounds inclusive	~~.40~~0.60
9,001 to 13,000 pounds inclusive	~~.50~~0.75
13,001 to 17,000 pounds inclusive	~~.68~~1.02
Over 17,000 pounds	~~.77~~1.16

Rates Per Hundred Pound Gross Weight

	General Rate
Not over 4,000 pounds	~~$0.59~~$0.89
4,001 to 9,000 pounds inclusive	~~.81~~1.22
9,001 to 13,000 pounds inclusive	~~1.00~~1.50
13,001 to 17,000 pounds inclusive	~~1.36~~2.04
Over 17,000 pounds	~~1.54~~2.31

(1) The minimum fee for a vehicle licensed under this subsection is ~~twenty-four dollars ($24.00)~~thirty-six dollars ($36.00) at the farmer rate and ~~twenty-eight dollars ($28.00)~~forty-two dollars ($42.00) at the general rate.

…

(6) There shall be paid to the Division annually the following fees for "wreckers" as defined under G.S. 20-4.01(50): a wrecker fully equipped weighing 7,000 pounds or less, ~~seventy-five dollars ($75.00);~~one hundred twelve dollars and fifty cents ($112.50); wreckers weighing in excess of 7,000 pounds shall pay ~~one hundred forty-eight dollars ($148.00).~~two hundred twenty-two dollars ($222.00). Fees to be prorated monthly. Provided, further, that nothing herein shall prohibit a licensed dealer from using a dealer's license plate to tow a vehicle for a customer.

(c) The fee for a semitrailer or trailer is ~~nineteen dollars ($19.00)~~twenty-eight dollars and fifty cents ($28.50) for each year or part of a year. The fee is payable each year. Upon the application of the owner of a semitrailer or trailer, the Division may issue a multiyear plate and registration card for the semitrailer or trailer for a fee of ~~seventy-five dollars ($75.00).~~one hundred twelve dollars and fifty cents ($112.50). A multiyear plate and registration card for a semitrailer or trailer are valid until the owner transfers the semitrailer or trailer to another person or surrenders the plate and registration card to the Division. A multiyear plate may not be transferred to another vehicle.

The Division shall issue a multiyear semitrailer or trailer plate in a different color than an annual semitrailer or trailer plate and shall include the word "multiyear" on the plate. The Division may not issue a multiyear plate for a house trailer.

…

(i) Any vehicle fee determined under this section according to the weight of the vehicle shall be increased by the sum of ~~three dollars ($3.00)~~four dollars and fifty cents ($4.50) to arrive at the total fee.

…."

SECTION 29.30.(q) G.S. 20-289(a) reads as rewritten:

"(a) The license fee for each fiscal year, or part thereof, shall be as follows:

(1) For motor vehicle dealers, distributors, distributor branches, and wholesalers, ~~seventy dollars ($70.00)~~one hundred five dollars ($105.00) for each place of business.

(2) For manufacturers, ~~one hundred fifty dollars ($150.00)~~two hundred twenty-five dollars ($225.00) and for each factory branch in this State, ~~one hundred dollars ($100.00).~~one hundred fifty dollars ($150.00).

(3) For motor vehicle sales representatives, ~~fifteen dollars ($15.00).~~twenty-two dollars and fifty cents ($22.50).

(4) For factory representatives, or distributor representatives, ~~fifteen dollars ($15.00).~~twenty-two dollars and fifty cents ($22.50).

(5) Repealed by Session Laws 1991, c. 662, s. 4."

SECTION 29.30.(r) G.S. 20-385(a) reads as rewritten:

"(a) The fees listed in this section apply to a motor carrier. These fees are in addition to any fees required under the Unified Carrier Registration Agreement.

(1) Repealed by Session Laws 2007-492, s. 5, effective August 30, 2007.

(2) Application by an intrastate motor carrier for a certificate of exemption ~~45.00~~67.50

(3) Certification by an interstate motor carrier that it is not regulated by the United States Department of Transportation ~~45.00~~67.50

(4) Application by an interstate motor carrier for an emergency trip permit ~~18.00.~~27.00."

SECTION 29.30.(s) G.S. 44A-4(b)(1) reads as rewritten:

"(b) Notice and Hearings. –

(1) If the property upon which the lien is claimed is a motor vehicle that is required to be registered, the lienor following the expiration of the relevant time period provided by subsection (a) shall give notice to the Division of Motor Vehicles that a lien is asserted and sale is proposed and shall remit to the Division a fee of ~~ten dollars ($10.00).~~fifteen dollars ($15.00). The Division of Motor Vehicles shall issue notice by certified mail, return receipt requested, to the person having legal title to the property, if reasonably ascertainable, to the person with whom the lienor dealt if different, and to each secured party and other person claiming an interest in the property who is actually known to the Division or who can be reasonably ascertained. The notice shall state that a lien has been asserted against specific property and shall identify the lienor, the date that the lien arose, the general nature of the services performed and materials used or sold for which the lien is asserted, the amount of the lien, and that the lienor intends to sell the property in satisfaction of the lien. The notice shall inform the recipient that the recipient has the right to a judicial hearing at which time a determination will be made as to the validity of the lien prior to a sale taking place. The notice shall further state that the recipient has a period of 10 days from the date of receipt in which to notify the Division by certified mail, return receipt requested, that a hearing is desired and that if the recipient wishes to contest the sale of his property pursuant to such lien, the recipient should notify the Division that a hearing is desired. The notice shall state the required information in simplified terms and shall contain a form whereby the recipient may notify the Division that a hearing is desired by the return of such form to the Division. The Division shall notify the lienor whether such notice is timely received by the Division. In lieu of the notice by the lienor to the Division and the notices issued by the Division described above, the lienor may issue notice on a form approved by the Division pursuant to the notice requirements above. If notice is issued by the lienor, the recipient shall return the form requesting a hearing to the lienor, and not the Division, within 10 days from the date the recipient receives the notice if a judicial hearing is requested. If the certified mail notice has been returned as undeliverable and the notice of a right to a judicial hearing has been given to the owner of the motor vehicle in accordance with G.S. 20-28.4, no further notice is required. Failure of the recipient to notify the Division or lienor, as specified in the notice, within 10 days of the receipt of such notice that a hearing is desired shall be deemed a waiver of the right to a hearing prior to the sale of the property against which the lien is asserted, and the lienor may proceed to enforce the lien by public or private sale as provided in this section and the Division shall transfer title to the property pursuant to such sale. If the Division or lienor, as specified in the notice, is notified within the 10-day period provided above that a hearing is desired prior to sale, the lien may be enforced by sale as provided in this section and the Division will transfer title only pursuant to the order of a court of competent jurisdiction.

If the certified mail notice has been returned as undeliverable, or if the name of the person having legal title to the vehicle cannot reasonably be ascertained and the fair market value of the vehicle is less than eight hundred dollars ($800.00), the lienor may institute a special proceeding in the county where the vehicle is being held, for authorization to sell that vehicle. Market

value shall be determined by the schedule of values adopted by the Commissioner under G.S. 105-187.3.

In such a proceeding a lienor may include more than one vehicle, but the proceeds of the sale of each shall be subject only to valid claims against that vehicle, and any excess proceeds of the sale shall be paid immediately to the Treasurer for disposition pursuant to Chapter 116B of the General Statutes.

The application to the clerk in such a special proceeding shall contain the notice of sale information set out in subsection (f) hereof. If the application is in proper form the clerk shall enter an order authorizing the sale on a date not less than 14 days therefrom, and the lienor shall cause the application and order to be sent immediately by first-class mail pursuant to G.S. 1A-1, Rule 5, to each person to whom notice was mailed pursuant to this subsection. Following the authorized sale the lienor shall file with the clerk a report in the form of an affidavit, stating that the lienor has complied with the public or private sale provisions of G.S. 44A-4, the name, address, and bid of the high bidder or person buying at a private sale, and a statement of the disposition of the sale proceeds. The clerk then shall enter an order directing the Division to transfer title accordingly.

If prior to the sale the owner or legal possessor contests the sale or lien in a writing filed with the clerk, the proceeding shall be handled in accordance with G.S. 1-301.2."

SECTION 29.30.(t) For the 2015-2016 fiscal year, twenty percent (20%) of the revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway Trust Fund to the Highway Fund.

SECTION 29.30.(u) For the 2016-2017 fiscal year, thirty-five percent (35%) of the revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway Trust Fund to the Highway Fund.

SECTION 29.30.(v) Subsections (t), (u), and (v) of this section are effective when this act becomes law. Subsection (n) of this section becomes effective July 1, 2016, and applies to renewal motor vehicle registrations on or after that date. The remainder of this section becomes effective January 1, 2016, and applies to issuances, renewals, restorations, and requests on or after that date.

ENFORCING PENALTIES FOR LAPSE IN FINANCIAL RESPONSIBILITY

SECTION 29.31.(a) G.S. 20-311 reads as rewritten:

"**§ 20-311. Action by the Division when notified of a lapse in financial responsibility.**

(a) Action. – When the Division receives evidence, by a notice of termination of a motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or required to be registered in this State does not have financial responsibility for the operation of the vehicle, the Division shall send the owner a letter. The letter shall notify the owner of the evidence and inform the owner that the owner shall respond to the letter within 10 days of the date on the letter and explain how the owner has met the duty to have continuous financial responsibility for the vehicle. Based on the owner's response, the Division shall take the appropriate action listed:

(1) Division correction. – If the owner responds within the required time and the response establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records.

(2) Penalty only. – If the owner responds within the required time and the response establishes all of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section:

a. The owner had a lapse in financial responsibility, but the owner now has financial responsibility.

b. The vehicle was not involved in an accident during the lapse in financial responsibility.

c. The owner did not operate the vehicle or allow the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.

(3) Penalty and revocation. – If the owner responds within the required time and the response establishes ~~any~~either of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section and revoke the registration of the owner's vehicle for the period set in subsection (c) of this section:

a. The owner had a lapse in financial responsibility and still does not have financial responsibility.

b. The owner now has financial responsibility even though the owner had a lapse, but the response also establishes any of the following:

1. The vehicle was involved in an accident during the ~~lapse, the~~lapse.

2. The owner operated the vehicle during the lapse with knowledge that the owner had no financial responsibility for the ~~vehicle, or both.~~vehicle.

3. The owner allowed the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.

(4) ~~Revocation pending response.~~Penalty and revocation for failure to respond. – ~~If~~Except as otherwise provided in this subdivision, if the owner does not respond within the required time, the Division shall assess a penalty in the applicable amount set forth in subsection (b) of this section and shall revoke the registration of the owner's vehicle for the period set in subsection (c) of this section. ~~When the owner responds, the Division shall take the appropriate action listed in subdivisions (1) through (3) of this subsection as if the response had been timely.~~If the owner does not respond within the required time, but later responds and establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records, rescind any revocation under this subdivision of the registration of the owner's vehicle, and the owner shall not be responsible for any fee or penalty arising under this section from the owner's failure to timely respond.

(b) Penalty Amount. – The following table determines the amount of a penalty payable under this section by an owner who has had a lapse in financial responsibility; the amount is based on the number of times the owner has been assessed a penalty under this section during the three-year period before the date the owner's current lapse began:

Number of Lapses in Previous Three Years	Penalty Amount
None	$50.00
One	$100.00
Two or More	$150.00

(c) Revocation Period. – The revocation period for a revocation based on a response that establishes that a vehicle owner does not have financial responsibility is indefinite and ends when the owner obtains financial responsibility or transfers the vehicle to an owner who has

financial responsibility. The revocation period for a revocation based on a response that establishes the occurrence of an accident during a lapse in financial responsibility or the knowing operation of a vehicle without financial responsibility is 30 days. The revocation period for a revocation based on failure of a vehicle owner to respond is indefinite and ends ~~when the owner responds.~~the later of 30 days or when the owner obtains financial responsibility or transfers the vehicle to an owner who has financial responsibility.

(d) Revocation Notice. – When the Division revokes the registration of an owner's vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the following:

(1) That the owner shall return the vehicle's registration plate and registration card to the Division, if the owner has not done so already, and that failure to do so is a Class 2 misdemeanor under G.S. 20-45.

(2) That the vehicle's registration plate and registration card are subject to seizure by a law enforcement officer.

(3) That the registration of the vehicle cannot be renewed while the registration is revoked.

(4) That the owner shall pay any penalties ~~assessed,~~assessed within 30 days of the date of the notice, a restoration fee, and the fee for a registration plate when the owner applies to the Division to register a vehicle whose registration was revoked.

(5) That failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

(e) Registration After Revocation. – A vehicle whose registration has been revoked may not be registered during the revocation period in the name of the owner, a child of the owner, the owner's spouse, or a child of the owner's spouse. This restriction does not apply to a spouse who is living separate and apart from the owner. At the end of a revocation period, a vehicle owner who has financial responsibility may apply to register a vehicle whose registration was revoked. The owner shall provide proof of current financial responsibility and pay any penalty assessed, a restoration fee of fifty dollars ($50.00), and the fee for a registration plate. Pursuant to G.S. 20-54, failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

…."

SECTION 29.31.(b) G.S. 20-54 is amended by adding a new subdivision to read:

"(12) The owner of the vehicle has failed to pay any penalty or fee imposed pursuant to G.S. 20-311."

SECTION 29.31.(c) This section becomes effective December 1, 2015, and applies to lapses in financial responsibility occurring on or after that date.

LPA CONTRACT STANDARDS

SECTION 29.32.(a) G.S. 20-63(h) reads as rewritten:

"(h) Commission Contracts for Issuance of Plates and Certificates. – All registration plates, registration certificates, and certificates of title issued by the Division, outside of those issued from the office of the Division located in Wake, Cumberland, or Mecklenburg Counties and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of the plates and certificates in localities throughout North Carolina, including military installations within this State, with persons, firms, corporations or governmental subdivisions of the State of North Carolina. The Division shall make a reasonable effort in every locality, except as noted above, to enter into a commission contract for the issuance of the plates and

certificates and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it shall issue the plates and certificates through the regular employees of the Division. Whenever registration plates, registration certificates, and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of the distribution. Nothing contained in this subsection allows or permits the operation of fewer outlets in any county in this State than are now being operated.

Commission contracts entered into by the Division under this subsection shall provide for the payment of compensation on a per transaction basis. The collection of the highway use tax is considered a separate transaction for which ~~one dollar and twenty-seven cents ($1.27)~~ one dollar and thirty cents ($1.30) compensation shall be paid. The issuance of a limited registration "T" sticker and the collection of property tax are each considered a separate transaction for which compensation at the rate of one dollar and twenty-seven cents ($1.27) and ~~one dollar and six cents ($1.06)~~ one dollar and eight cents ($1.08) respectively, shall be paid by counties and municipalities as a cost of the combined motor vehicle registration renewal and property tax collection system. The performance at the same time of one or more of the transactions below is considered a single transaction for which ~~one dollar and forty-three cents ($1.43)~~ one dollar and forty-six cents ($1.46) compensation shall be paid:

(1) Issuance of a registration plate, a registration card, a registration sticker, or a certificate of title.

(2) Issuance of a handicapped placard or handicapped identification card.

(3) Acceptance of an application for a personalized registration plate.

(4) Acceptance of a surrendered registration plate, registration card, or registration renewal sticker, or acceptance of an affidavit stating why a person cannot surrender a registration plate, registration card, or registration renewal sticker.

(5) Cancellation of a title because the vehicle has been junked.

(6) Acceptance of an application for, or issuance of, a refund for a fee or a tax, other than the highway use tax.

(7) Receipt of the civil penalty imposed by G.S. 20-311 for a lapse in financial responsibility or receipt of the restoration fee imposed by that statute.

(8) Acceptance of a notice of failure to maintain financial responsibility for a motor vehicle.

(8a) Collection of civil penalties imposed for violations of G.S. 20-183.8A.

(8b), (9) Repealed by Session Laws 2013-372, s. 2(a), effective July 1, 2013.

(10) Acceptance of a temporary lien filing.

(11) Conversion of an existing paper title to an electronic lien upon request of a primary lienholder."

SECTION 29.32.(b) G.S. 20-63 is amended by adding a new subsection to read:

"(h3) Contract license plate agencies are subject to the Standard Operating Procedures established by the Division. In addition, the Division shall, by rule, establish standards for commission contracts entered into by the Division under subsection (h) of this section. The standards shall include all of the following:

(1) Performance standards for commission contract agents, including a schedule of monetary performance bonuses that may be paid annually by the Division to commission contract agents that meet or exceed the performance standards established pursuant to this subdivision. The total aggregate amount of monetary performance bonuses paid to all commission contract agents by the Division pursuant to this subdivision may not exceed ninety thousand dollars ($90,000) per year.

(2) A term of duration. For initial commission contracts, the durational term may not exceed eight years. For renewal commission contracts, the durational term may not exceed two years."

SECTION 29.32.(c) No later than October 1, 2015, the Division of Motor Vehicles shall establish and adopt temporary rules to implement the provisions of subsection (b) of this section. No later than 30 days after adopting temporary rules under this subsection, the Division shall report to the Joint Legislative Transportation Oversight Committee on the establishment of the standards required by subsection (b) of this section.

SECTION 29.32.(d) All commission contracts entered into by the Division of Motor Vehicles under G.S. 20-63(h) after the effective date of this subsection shall be subject to the standards established under subsection (b) of this section. No later than July 1, 2018, all other commission contracts entered into by the Division of Motor Vehicles shall be subject to the standards established under subsection (b) of this section.

SECTION 29.32.(e) Subsections (c) and (e) of this section are effective when they become law. Subsection (a) of this section becomes effective July 1, 2015, and applies to transactions on or after that date. The remainder of this section is effective upon adoption of rules pursuant to subsection (c) of this section.

DMV/UMSTEAD ACT CLARIFICATION

SECTION 29.33. G.S. 66-58(c) is amended by adding a new subdivision to read:

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

…

(22) The operation by the Division of Motor Vehicles of digital advertising and automated teller machines in offices of the Division or contract license plate agencies."

HIGHWAY USE TAX CLARIFICATION

SECTION 29.34.(a) G.S. 105-187.6(c) reads as rewritten:

"(c) Out-of-state Vehicles. – A maximum tax of one hundred fifty dollars ($150.00) applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a certificate of title, is and has been titled in the name of the owner of the motor vehicle in another state for at least 90 ~~days.~~days prior to the date of application for a certificate of title in this State."

SECTION 29.34.(b) This section is effective when this act becomes law.

ELIMINATE 10-DAY TRIP PERMIT AND INCREASE TEMPORARY TAG FEE

SECTION 29.35.(a) G.S. 20-183.4C reads as rewritten:

"**§ 20-183.4C. When a vehicle must be inspected; 10-day ~~trip permit.~~temporary license plate.**

…

(b) ~~Permit.~~Temporary License Plate. – The Division may issue a ~~10-day trip permit~~ temporary license plate under and in accordance with G.S. 20-50(b) that is valid for 10 days to a person that authorizes the person to drive a vehicle whose inspection authorization or registration has expired. ~~The permit may only be issued when the person has furnished proof of financial responsibility. The permit must describe the vehicle whose inspection authorization or registration has expired. The permit authorizes the person to drive the described vehicle for a period not to exceed 10 days from the date of issuance.~~

…."

SECTION 29.35.(b) G.S. 20-50(b) reads as rewritten:

"(b) The Division may issue a temporary license plate for a vehicle. A temporary license plate is valid for the period set by the Division. The period may not be less than 10 days nor more than 60 days.

A person may obtain a temporary license plate for a vehicle by filing an application with the Division and paying the required fee. An application must be filed on a form provided by the Division.

The fee for a temporary license plate that is valid for 10 days is ~~five~~ten dollars ~~($5.00).~~($10.00). The fee for a temporary license plate that is valid for more than 10 days is the amount that would be required with an application for a license plate for the vehicle. If a person obtains for a vehicle a temporary license plate that is valid for more than 10 days and files an application for a license plate for that vehicle before the temporary license plate expires, the person is not required to pay the fee that would otherwise be required for the license plate.

A temporary license plate is subject to the following limitations and conditions:

(1) It may be issued only upon proper proof that the applicant has met the applicable financial responsibility requirements.
(2) It expires on midnight of the day set for expiration.
(3) It may be used only on the vehicle for which issued and may not be transferred, loaned, or assigned to another.
(4) If it is lost or stolen, the person who applied for it must notify the Division.
(5) It may not be issued by a dealer.
(6) The provisions of G.S. 20-63, 20-71, 20-110 and 20-111 that apply to license plates apply to temporary license plates insofar as possible."

SECTION 29.35.(c) Ten-day trip permits issued under G.S. 20-183.4C(b) prior to the effective date of this section shall remain valid for the duration of the issuance.

SECTION 29.35.(d) This section becomes effective July 1, 2015, and applies to temporary license plates issued on or after that date.

TECHNICAL CORRECTION/REMOTE RENEWAL OF DRIVERS LICENSE

SECTION 29.36. G.S. 20-7(f)(6) reads as rewritten:

"(6) Remote renewal. – ~~The~~Subject to the following requirements and limitations, the Division may offer remote renewal of a drivers license issued by the ~~Division. For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner:~~Division:

a. Requirements. – To be eligible for remote renewal under this subdivision, a person must meet all of the following requirements:

1. The license holder possesses a valid, unexpired Class C drivers license that was issued when the person was at least 18 years old.
2. The license holder's current license includes no restrictions other than a restriction for corrective lenses.
3. The license holder attests, in a manner designated by the Division, that (i) the license holder is a resident of the State and currently resides at the address on the license to be renewed, (ii) the license holder's name as it appears on the license to be renewed has not changed, and (iii) all other information required by the Division for an in-person renewal under this Article has been provided completely and truthfully.
4. The most recent renewal was an in-person renewal and not a remote renewal under this subdivision.

5. The license holder is otherwise eligible for renewal under this subsection.

b. Waiver of requirements. – When renewing a drivers license pursuant to this subdivision, the Division may waive the examination and photograph that would otherwise be required for the renewal.

c. Duration of remote renewal. – A renewed drivers license issued to a person by remote renewal under this subdivision expires according to the following schedule:

1. For a person at least 18 years old but less than 66 years old, on the birthday of the licensee in the eighth year after issuance.

2. For a person at least 66 years old, on the birthday of the licensee in the fifth year after issuance.

d. Rules. – The Division shall adopt rules to implement this subdivision.

e. Federal law. – Nothing in this subdivision shall be construed to supersede any more restrictive provisions for renewal of drivers licenses prescribed by federal law or regulation.

f. Definition. – For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner."

POSITIONS IN SUPPORT OF THE COMBINED MOTOR VEHICLE REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM

SECTION 29.37. Section 24.10(a) of S.L. 2012-142 reads as rewritten:

"**SECTION 24.10.(a)** Upon request from the Department of Transportation and notwithstanding any other provision of law to the contrary, the Office of State Budget and Management may authorize the creation of time-limited, full-time equivalent positions within the Department of Transportation and its Division of Motor Vehicles in excess of the positions authorized by this act for the sole purposes of implementing and administering the combined motor vehicle registration and property tax collection system, in accordance with the funding authorizations in G.S. 105-330.5 and G.S. 105-330.10. Positions created under this authorization shall terminate no later than ~~June 30, 2014.~~April 1, 2016. Following the approval of a request, the Office of State Budget and Management shall direct the transfer of funds from the Combined Motor Vehicle and Registration Account, also known as the Division of Motor Vehicles Taxation Interest Fund for Integrated Computer System, to support personnel and related operating costs for the positions approved under this section."

DMV AND LPAS/TITLE AND LICENSE PERSONAL WATERCRAFT

SECTION 29.38.(a) G.S. 75A-5.2(a) reads as rewritten:

"(a) In order to facilitate the convenience of the public, the efficiency of administration, the need to keep statistics and records affecting the conservation of wildlife resources, boating, water safety, and other matters within the jurisdiction of the Commission, and to facilitate vessel transactions, the Commission may conduct vessel transactions through any of the following:

(1) Vessel agents. For transactions involving a personal watercraft, as that term is defined in G.S. 75A-13.3, the term "vessel agents" includes (i) any office of the Division of Motor Vehicles and (ii) any commission contract agent utilized by the Division of Motor Vehicles pursuant to G.S. 20-63.

(2) The Commission's headquarters.

(3) Employees of the Commission.

(4) Two or more of those sources simultaneously."

SECTION 29.38.(b) Article 3 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-63.03. Certificate of number and titling of personal watercrafts.**

In accordance with G.S. 75A-5.2(a), any office of the Division of Motor Vehicles and any commission contract agent utilized by the Division pursuant to G.S. 20-63 may conduct any vessel transaction listed in G.S. 75A-5.2(c) for a personal watercraft, as that term is defined in G.S. 75A-13.3, and may receive the surcharge set forth in G.S. 75A-5.2(c) for the applicable transaction the office of the Division or the commission contract agent conducts."

PART XXX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 30.1.(a) Effective July 1, 2015, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred forty-two thousand two hundred sixty-five dollars ($142,265)~~ one hundred forty-five thousand one hundred ten dollars ($145,110) annually, payable monthly."

SECTION 30.1.(b) Effective July 1, 2015, the annual salaries for members of the Council of State, payable monthly, shall be increased by two percent (2%), as follows:

Council of State	Annual Salary
Lieutenant Governor	$128,190
Attorney General	128,190
Secretary of State	128,190
State Treasurer	128,190
State Auditor	128,190
Superintendent of Public Instruction	128,190
Agriculture Commissioner	128,190
Insurance Commissioner	128,190
Labor Commissioner	128,190

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 30.2. The annual salaries, payable monthly, for the following executive branch officials for the 2015-2017 fiscal biennium are set as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$114,105
State Controller	159,282
Commissioner of Banks	128,190
Chair, Board of Review, Division of Employment Security	125,720
Members, Board of Review, Division of Employment Security	124,172
Chairman, Parole Commission	125,720
Members of the Parole Commission	116,165
Chairman, Utilities Commission	142,646
Members of the Utilities Commission	128,190
Executive Director, North Carolina Agricultural Finance Authority	111,093

JUDICIAL BRANCH SALARIES

SECTION 30.3.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2015-2017 fiscal biennium are set as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$146,495

Associate Justice, Supreme Court	142,694
Chief Judge, Court of Appeals	140,436
Judge, Court of Appeals	136,791
Judge, Senior Regular Resident Superior Court	133,102
Judge, Superior Court	129,413
Chief Judge, District Court	117,607
Judge, District Court	113,918
District Attorney	124,172
Public Defender	124,172
Director of Indigent Defense Services	128,008

SECTION 30.3.(b) The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by two percent (2%), effective July 1, 2015.

SECTION 30.3.(c) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed seventy-four thousand two hundred fifty-three dollars ($74,253), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-nine thousand four hundred one dollars ($39,401), effective July 1, 2015.

SECTION 30.3.(d) G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	~~$84,390~~$86,078
100,000 to 149,999	~~94,578~~96,470
150,000 to 249,999	~~104,766~~106,861
250,000 and above	~~114,958~~117,257

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

SECTION 30.3.(e) G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$32,609~~$33,261
Maximum	~~56,424~~57,552
Deputy Clerks	**Annual Salary**
Minimum	~~$28,223~~$28,787
Maximum	~~44,107.~~44,989."

SECTION 30.3.(f) G.S. 7A-171.1(a)(1) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a

magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$35,275~~$35,981
Step 1	~~37,950~~38,709
Step 2	~~40,835~~41,652
Step 3	~~43,890~~44,768
Step 4	~~47,550~~48,501
Step 5	~~51,960~~52,999
Step 6	~~56,900.~~58,038."

SECTION 30.3.(g) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum		Maximum
~~Less than 1 year of service~~			~~$27,846~~
~~1 or more but less than 3 years of service~~	~~28,027~~	~~–~~	~~29,027~~
~~3 or more but less than 5 years of service~~	~~30,405~~	~~–~~	~~31,405~~
Less than 1 year of service	–		$28,403
1 or more but less than 3 years of service	28,588		29,608
3 or more but less than 5 years of service	31,013		32,033

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

SECTION 30.3.(h) G.S. 7A-341 reads as rewritten:

"**§ 7A-341. Appointment and compensation of Director and Assistant Director.**

The Director shall be appointed by the Chief Justice of the Supreme Court, to serve at his or her pleasure. ~~He shall receive the annual salary provided in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and~~ The Director's compensation shall be set by the Chief Justice. The Director shall receive longevity pay at the rates and for the service designated in G.S. 7A-44(b) for a judge of the superior court. Service as Director shall be equivalent to service as a superior court judge for the purposes of entitlement to retirement pay or to retirement for disability."

SECTION 30.3.(i) G.S. 7A-342 reads as rewritten:

"**§ 7A-342. Appointment and compensation of assistant director and other employees.**

The assistant director shall also be appointed by the Chief Justice, to serve at his or her pleasure. The assistant ~~director shall receive the annual salary provided in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and~~ director's compensation shall be set by the Chief Justice. The assistant director shall receive longevity pay at the rates and for the service designated in G.S. 7A-144(b) for a judge of the district court.

The Director may appoint such other assistant and employees as are necessary to enable ~~him~~ the Director to perform the duties of ~~his~~ the office."

LEGISLATIVE BRANCH SALARIES

SECTION 30.4.(a) For the 2015-2017 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.

SECTION 30.4.(b) G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred four dollars ($404.00)~~ four hundred twelve dollars ($412.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 30.4.(c) G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred six thousand three hundred thirty-three dollars ($106,333),~~ one hundred eight thousand four hundred sixty dollars ($108,460), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 30.4.(d) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall be increased by two percent (2%).

COMMUNITY COLLEGES PERSONNEL

SECTION 30.5.(a) Effective July 1, 2015, the minimum salaries for nine-month, full-time curriculum community college faculty shall be increased as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	$36,020
Associate Degree or Equivalent	36,535
Bachelor's Degree	38,769
Master's Degree or Education Specialist	40,751
Doctoral Degree	43,608

No full-time faculty member shall earn less than the minimum salary for the faculty member's education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

SECTION 30.5.(b) For the 2015-2017 fiscal biennium, the State Board of Community Colleges may provide community college employees a salary increase. Funds for compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 30.6.(a) Effective for the 2015-2017 fiscal biennium:

(1) The annual compensation of all full-time University of North Carolina SHRA employees shall be increased by two percent (2%).

(2) The Board of Governors of The University of North Carolina shall have flexibility in allocating funds appropriated in this act for EHRA faculty and EHRA nonfaculty compensation increases (except for teachers at the North Carolina School of Science and Mathematics) pursuant to policies adopted by the Board.

SECTION 30.6.(b) For the 2015-2017 fiscal biennium, the Board of Governors of The University of North Carolina may provide UNC EHRA employees with salary increases pursuant to policies adopted by the Board of Governors, including, but not limited to, increases for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, and (iv) retention increases. The Board of Governors shall make a report on the use of compensation funds under this subsection to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

SECTION 30.6.(c) For the 2015-2016 fiscal year, the Board of Trustees of the North Carolina School of Science and Mathematics shall award the step increases authorized by the Teacher Salary Schedule under Section 9.1 of this act.

STATE AGENCY TEACHERS

SECTION 30.7. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid on the Teacher Salary Schedule shall receive the experience step increases authorized in Section9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 30.8.(a) Effective July 1, 2015, except as otherwise specifically provided by this act, the annual compensation of all employees subject to or exempt from the North Carolina Human Resources Act for the 2015-2017 fiscal biennium shall be increased by two percent (2%) from that authorized on June 30, 2015, or the last date in pay status during the 2014-2015 fiscal year, if earlier.

SECTION 30.8.(b) Salaries and Related Benefits for Positions That are Funded. -

(1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

(2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

SECTION 30.8.(c) The salary increases provided in this act become effective July 1, 2015, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2015.

SECTION 30.8.(d) Payroll checks issued to employees after July 1, 2015, that represent payment of services provided prior to July 1, 2015, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 30.8.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 30.8.(f) Unless otherwise provided by this act, for the 2015-2016 fiscal year, permanent full-time State agency employees and State-funded public school employees who work a nine-, 10-, or 11-month work year schedule shall receive the two percent (2%) annual increase provided by this act.

MOST STATE EMPLOYEES

SECTION 30.9. Except as otherwise specifically set forth in this act, the salaries in effect for the following employees on June 30, 2015, shall be increased by two percent (2%):

(1) Permanent full-time State officials and persons whose salaries are set in accordance with the North Carolina Human Resources Act.

(2) Permanent full-time State officials and persons in positions exempt from the North Carolina Human Resources Act.

(3) Permanent part-time State employees and temporary and permanent hourly State employees on a prorated and equitable basis subject to the availability of funds in the employing State agency, department, or institution and within regular State Budget Act procedures.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES

SECTION 30.10.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for legislatively mandated salary increases.

SECTION 30.10.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases.

SECTION 30.10.(c) No later than January 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases. This report shall include at least the following information for each State agency for the 2015-2016 fiscal year:

(1) The total amount of funds that the agency received for legislatively mandated salary increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for legislatively mandated salary increases.

(4) The total amount of funds received by the agency for legislatively mandated salary increases that are anticipated to revert at the end of the fiscal year.

MONITOR SALARY INCREASES

SECTION 30.11.(a) The Office of State Budget and Management and the Office of State Human Resources shall submit a semiannual report to the Joint Legislative Commission on Governmental Operations on nonlegislative salary increases in (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions. The reports required by this section shall include the following information:

(1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including, but not limited to, promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.

(2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the University as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any other similar actions increasing employee pay.

(3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 30.11.(b) The Legislative Services Officer shall report semiannually to the Joint Legislative Commission on Governmental Operation on nonlegislative salary increases.

COMPENSATION LIMITATIONS/LOTTERY COMMISSION

SECTION 30.12. For the 2015-2017 fiscal biennium, notwithstanding the provisions of G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission shall not expend funds for compensation bonuses or for merit-based or performance-based increases.

EXTEND REORGANIZATION THROUGH REDUCTION AUTHORIZATION

SECTION 30.13.(a) Section 8.3 of S.L. 2013-382, as amended by Section 55.3(g) of S.L. 2014-115, reads as rewritten:

"**SECTION 8.3.** This Part is effective when it becomes law and expires ~~June 30, 2015.~~ June 30, 2017. The Office of State ~~Personnel~~ Human Resources and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations ~~on January 31, 2014, April 30, 2014, September 1, 2014, January 31, 2015, April 30, 2015, and September 1, 2015.~~annually on the RTR program."

SECTION 30.13.(b) Payments under the Reorganization Through Reduction program shall be made from funds available within the reorganizing State agency.

SALARY DETERMINATIONS FOR CERTAIN LICENSED HEALTH PROFESSIONALS

SECTION 30.14. State agencies, departments, and institutions shall have salary administration flexibility for licensed physicians, dentists, nurses, physicians assistants, pharmacists, and other allied health professionals and may exercise the flexibility within existing resources. No salary determination made under this section may exceed the maximum of the applicable salary range established by the Office of State Human Resources under Chapter 126 of the General Statutes. Beginning September 1, 2015, and then annually thereafter, the Office of State Human Resources shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the salary actions taken under this section.

STATE HIGHWAY PATROL SALARIES

SECTION 30.15.(a) Effective July 1, 2015, the salaries of all sworn members of the State Highway Patrol are increased by three percent (3%).

SECTION 30.15.(b) Effective July 1, 2015, the starting pay for an entry-level position in the State Highway Patrol is increased by three percent (3%).

SECTION 30.15.(c) The increases granted by subsection (a) of this section are in addition to any other salary increase that a member of the State Highway Patrol is eligible to receive under this act or G.S. 20-187.3.

ESTABLISH CODIFIER OF RULES POSITION

SECTION 30.16.(a) G.S. 150B-2(1c) reads as rewritten:

"(1c) "Codifier of Rules" means the person appointed by the Chief Administrative Law Judge of the Office of Administrative Hearings ~~or a designated representative of the Chief Administrative Law Judge.~~pursuant to G.S. 7A-760(b)."

SECTION 30.16.(b) G.S. 7A-760 reads as rewritten:

"**§ 7A-760. Number and status of employees; staff assignments; role of ~~State Personnel Commission.~~State Human Resources Commission.**

(a) The number of administrative law judges and employees of the Office of Administrative Hearings shall be established by the General Assembly. The Chief Administrative Law Judge is exempt from provisions of the North Carolina Human Resources Act as provided by ~~G.S. 126-5(c1)(26).~~G.S. 126-5(c1)(27). All other employees of the Office of Administrative Hearings are subject to the North Carolina Human Resources Act.

(b) The Chief Administrative Law Judge shall ~~designate, from among the employees of the Office of Administrative Hearings, the Director and staff of the Rules Review Commission.~~appoint a Codifier of Rules to serve in the Office of Administrative Hearings. No person shall be appointed or designated the Codifier of Rules except as provided in this section. The salary of the Codifier of Rules shall be ninety percent (90%) of the salary of the Chief Administrative Law Judge. In lieu of merit and other increment raises, the Codifier of Rules shall receive longevity pay on the same basis as is provided to employees who are subject to the North Carolina Human Resources Act."

STUDY COMPENSATION OF EMERGENCY MANAGEMENT PERSONNEL

SECTION 30.17.(a) The Office of State Human Resources shall study the salary classifications of State emergency management personnel within the Department of Public Safety and make recommendations for market-based salary adjustments based on market-rate compensation and turnover, recruitment, and retention issues experienced by the Department for these personnel. By February 1, 2016, the Office of State Human Resources shall report its findings to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

SECTION 30.17.(b) If the Office of State Human Resources finds pursuant to subsection (a) of this section that market-based salary increases are warranted, notwithstanding the provisions of Section 30.10 of this act, the salaries of emergency management personnel within the Department of Public Safety may be increased to competitive market rates using funds remaining in the Compensation Increase Reserves appropriated within this act.

WORKERS' COMPENSATION STUDY

SECTION 30.18.(a) The Joint Legislative Workers' Compensation Study Committee (Committee) is established. The Committee shall be composed of 15 voting and six nonvoting ex officio members as follows:

(1) Five voting members appointed by the Speaker of the House of Representatives as follows:

a. Four persons who are members of the House of Representatives at the time of appointment, at least one of whom represents the minority party. The Speaker shall designate one of these members as cochair.

b. One person representing the general public who is a current State employee.

(2) Five voting members appointed by the President Pro Tempore of the Senate as follows:

a. Four persons who are members of the Senate at the time of appointment, at least one of whom represents the minority party. The President Pro Tempore shall designate one of these members as cochair.

b. One person representing the general public who is a retired State employee.

(3) Five voting members appointed by the Governor as follows:

a. One person with knowledge of workers' compensation claims administration in the private sector.

b. One person with knowledge of workers' compensation claims administration in the public sector.

c. One health care professional with experience in the evaluation of workers' compensation claims.

d. One attorney experienced in the handling of workers' compensation claims who represents employers.

e. One attorney experienced in the handling of workers' compensation claims who represents employees.

(4) Six ex officio nonvoting members, or their respective designees who have knowledge of workers' compensation claims administration, as follows:

a. State Superintendent of Public Instruction.

b. Secretary of Transportation.

c. Secretary of Health and Human Services.

d. Secretary of Public Safety.

e. Chair of the Industrial Commission.

f. Director of the Office of State Human Resources.

All appointments shall be made by September 1, 2015, and the first meeting shall be held by October 1, 2015. The Committee shall meet upon the call of the cochairs. A quorum of the Committee shall be a majority of the members. Any vacancies shall be filled by the appointing authority.

SECTION 30.18.(b) The Committee shall make recommendations regarding the following:

(1) Best practices and standard operating procedures for handling workers' compensation claims in the most cost-effective and efficient manner.

(2) Measures that the State and local school administrative units can take to contain workers' compensation costs.

(3) Policies the State and local school administrative units can implement to increase workplace safety and awareness.

(4) Changes to "return-to-work" policies that will facilitate the return of injured employees to the workplace.

(5) Any other matter pertaining to improving the handling of employee workers' compensation claims.

SECTION 30.18.(c) Members of the Committee shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Legislative Services Officer shall assign professional and clerical staff to assist in the work of

the Committee. The Committee may hold its meetings in the State Legislative Building or the Legislative Office Building. The Committee, while in the discharge of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records or otherwise available to them, and the power to subpoena witnesses.

SECTION 30.18.(d) The Committee shall report its findings and recommendations to the 2016 Regular Session of the 2015 General Assembly. The Committee shall terminate on May 15, 2016, or upon the filing of its report, whichever occurs first.

JUDGES' LONGEVITY AMENDMENTS

SECTION 30.19.(a) G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or~~ Justice, as a member of the Utilities ~~Commission.~~ Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(b) G.S. 7A-18(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the Court of Appeals shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or~~ Justice, as a member of the Utilities ~~Commission.~~Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(c) G.S. 7A-44(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the superior court, regular or special, shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four percent (24%) after 25 years ~~of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or~~ Justice, as a member of the Utilities ~~Commission or~~ Commission, as director or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(d) G.S. 7A-144(b) reads as rewritten:

"(b) Notwithstanding merit, longevity and other increment raises paid to regular State employees, a judge of the district court shall receive as longevity pay an annual amount equal

to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or~~ Justice, as a member of the Utilities ~~Commission or~~ Commission, as director or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SALARY-RELATED CONTRIBUTIONS

SECTION 30.20.(a) Effective for the 2015-2017 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 30.20.(b) Effective July 1, 2015, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2015-2017 fiscal biennium are (i) fifteen and sixty-seven hundredths percent (15.67%) – Teachers and State Employees; (ii) twenty and sixty-seven hundredths percent (20.67%) – State Law Enforcement Officers; (iii) twelve and eighty-six hundredths percent (12.86%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-six hundredths percent (12.86%) – Community College Optional Retirement Program; (v) thirty-three and twenty-six hundredths percent (33.26%) – Consolidated Judicial Retirement System; and (vi) nine and one hundredth percent (9.01%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty-one hundredths percent (5.61%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 30.20.(c) Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2015-2016 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand two hundred fifty-eight dollars ($4,258) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-nine dollars ($5,479).

PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE

RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 30.21.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(uuu) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

SECTION 30.21.(b) G.S. 120-4.22A is amended by adding a new subsection to read:

"(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2015, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2015, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2014, and June 30, 2015."

SECTION 30.21.(c) G.S. 135-65 is amended by adding a new subsection to read:

"(ff) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT CONTRIBUTION AND STATE HEALTH PLAN INCREASES

SECTION 30.22.(a) The appropriations set forth in Section 2.1 of this act include appropriations for State Retirement contribution and State Health Plan increases in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(b) If the Director of the Budget determines that funds appropriated to a State agency for increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(c) No later than January 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for State Retirement contribution and State Health Plan increases. This report shall include at least the following information for each State agency for the 2015-2016 fiscal year:

(1) The total amount of funds that the agency received for State Retirement contribution and State Health Plan increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for State Retirement contribution and State Health Plan increases.

(4) The total amount of funds received by the agency for State Retirement contribution and State Health Plan increases that are anticipated to revert at the end of the fiscal year.

ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 30.23.(a) G.S. 135-1 reads as rewritten:

"**§ 135-1. Definitions.**

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

…

(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2015.

…

(17a) "Probation/Parole Officer" means a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

…."

SECTION 30.23.(b) G.S. 143-166.41(b) reads as rewritten:

"(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined.~~defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 30.23.(c) This section becomes effective July 1, 2015, and applies to persons retiring on or after that date.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 30.24. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of ~~ninety-nine dollars ($99.00)~~ one hundred five dollars ($105.00) per month for 20 years' creditable military service with an additional ~~nine dollars ninety cents ($9.90)~~ ten dollars and fifty cents ($10.50) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred ninety-eight dollars ($198.00)~~ two hundred ten dollars ($210.00) per month. The requirements for a pension are that each member shall:

(1) Have served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.

(2) Have at least 15 years of the aforementioned service as a member of the North Carolina National Guard.

(3) Have received an honorable discharge from the North Carolina National Guard."

ALLOW RETIREES WHO RETURN TO WORK FOR THE STATE IN NONPERMANENT POSITIONS TO RETAIN THEIR COVERAGE OPTIONS UNDER THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES RATHER THAN LIMITING SUCH RETIREES' COVERAGE OPTIONS TO THE "BRONZE LEVEL" HIGH-DEDUCTIBLE HEALTH PLAN NECESSITATED BY THE AFFORDABLE CARE ACT

SECTION 30.25.(a) G.S. 135-48.40 reads as rewritten:

"**§ 135-48.40. Categories of eligibility.**

…

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

(1) All permanent full-time employees of an employing unit who meet either of the following conditions:

a. Paid from general or special State funds.

b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

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

(1a) All retirees who (i) are employed by an employing unit, (ii) do not qualify for coverage under subdivision (1) of this subsection, and (iii) are determined to be "full-time" by their employing unit in accordance with section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The Department of State Treasurer shall, using a process developed by the Department, reimburse an employing unit the employing unit's cost to cover such a retiree who enrolls in the Plan. The reimbursement shall be made at least once per plan year and shall be paid from the Retiree Health Benefit Fund.

…

(e) Other Contributory Coverage. – Any employee of an employing unit is eligible for coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43 and of this section, if (i) the employee's employing unit determines that the employee is a full-time employee and (ii) the employee does not qualify for coverage under subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the full-time status of an employee shall be determined by the employing unit, in its sole discretion, in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The coverage offered and the contribution required for coverage under this section shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage shall do all of the following:

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

SECTION 30.25.(b) G.S. 135-48.41(j) reads as rewritten:

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

RESERVE FOR FUTURE BENEFITS NEEDS

SECTION 30.26. It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

LEGISLATIVE RESEARCH COMMISSION/STUDY SUPPLEMENTAL POST-TAX BENEFITS FOR STATE EMPLOYEES

SECTION 30.27. The Legislative Research Commission (LRC) may study the supplemental post-tax benefits that State agencies and constituent institutions of The University of North Carolina offer beyond NC Flex pre-tax options, including (i) the process for selecting the benefits, (ii) consolidation of the committees selecting benefits, (iii) the cost and value of the coverage selected, and (iv) a comparison of the benefits to the NC Flex options and to options available to the public employees of other states. The LRC shall submit a report to the 2016 Regular Session of the 2015 General Assembly, upon its convening, on any findings and legislative proposals pertaining to the study.

PART XXXI. CAPITAL PROJECTS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 31.1. The appropriations made by the 2015 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL PROJECTS/GENERAL FUND

SECTION 31.2.(a) Of the funds appropriated in this act from the General Fund for the 2015-2017 fiscal biennium the following amounts shall be allocated for capital improvements:

Capital Improvements – General Fund	**2015-2016**	**2016-2017**
Department of Agriculture and Consumer Services		
Dorton Arena Roof Replacement	$ 2,305,000	–

Department of Cultural Resources		
USS North Carolina Hull Repair and Cofferdam	3,000,000	–
Department of Environment and Natural Resources		
Water Resources Development	5,083,000	–
Department of Justice		
State Crime Laboratory Facilities	15,000,000	–
Department of Public Safety		
Armory and Facility Development Projects	618,000	5,087,500
General Assembly		
Legislative Building Roof Replacement and Asbestos Abatement	4,001,000	–
University of North Carolina		
NCSU Engineering Building Planning	11,900,000	–
NCSU Plant Sciences Building Planning	5,000,000	–
Western School of Science and Math Advance Planning	1,600,000	–
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 48,507,000**	**5,087,500**

SECTION 31.2.(b) The General Assembly authorizes planning of the Plant Sciences Building at North Carolina State University to be funded at a maximum cost of fourteen million dollars ($14,000,000) in accordance with this section. The sum of five million dollars ($5,000,000) allocated for this purpose in subsection (a) of this section shall be used for this purpose. The remainder shall be funded with receipts or from other non-General Fund sources available to North Carolina State University, and those funds are hereby appropriated for that purpose.

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 31.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated forty-four million three hundred fifty-three thousand dollars ($44,353,000) in federal funds.

Name of Project		**2015-2016**
(1)	Jordan Water Supply	$ 200,000
(2)	Wilmington Harbor Study	225,000
(3)	Planning Assistance	25,000
(4)	Wilmington Harbor Deepening	600,000
(5)	Wilmington Harbor Maintenance	-
(6)	Morehead City Harbor Maintenance	-
(7)	Carolina Beach Storm Damage Reduction	1,400,000

(8)	Carolina Beach Storm Damage Reduction 15-Year Extension Study	81,000
(9)	Kure Beach Storm Damage Reduction	1,450,000
(10)	Wrightsville Storm Damage Reduction Reevaluation Report	81,000
(11)	Ocean Isle Storm Damage Reduction Reevaluation Report	81,000
(12)	Bogue Banks Storm Damage Reduction Preconstruction, Engineering, and Design	165,000
(13)	Surf City/North Topsail Preconstruction Activities	135,000
(14)	West Onslow Beach Preconstruction Activities	135,000
(15)	NRCS EQIP (65/35)	1,000,000
(16)	Planning for S.L. 2010-143	75,000
(17)	State-Local Projects	1,000,000
(18)	Lock and Dam #2 – Fish Ramp – Phase 1	250,000
(19)	Linville River Restoration	250,000
(20)	Assistance to Counties – EAP Preparation	250,000
(21)	North Topsail Shoreline Protection – Phase 2	500,000
TOTALS		**$ 7,903,000**

SECTION 31.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million eighty-three thousand dollars ($5,083,000) allocated for water resources development projects in Section 31.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

	Name of Project	**Amount Carried Forward**
(1)	Wilmington Harbor Study	$ 225,000
(2)	Planning Assistance	25,000
(3)	Wilmington Harbor Deepening	600,000
(4)	Carolina Beach Storm Damage Reduction	727,000
(5)	Kure Beach Storm Damage Reduction	808,000
(6)	Bogue Banks Storm Damage Reduction Preconstruction, Engineering, and Design	165,000
(7)	Surf City/North Topsail Preconstruction Activities	135,000
(8)	West Onslow Beach Preconstruction Activities	135,000
TOTALS		**$ 2,820,000**

SECTION 31.3.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2015-2016 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) U.S. Army Corps of Engineers project feasibility studies.
(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State matching funds in the 2015-2016 fiscal year.
(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2016-2017 fiscal year.

SECTION 31.3.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of the project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 31.3.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2015-2017 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 31.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	Amount of Non-General Fund Funding Authorized	
	FY 2015-2016	FY 2016-2017
Department of Agriculture and Consumer Services		
WNC Farmers Market Improvements/Robert G. Shaw Piedmont Triad Farmers Market Improvements	$ 3,000,000	-
WNC Agricultural Center Events/Restroom Building	500,000	-
NC Forest Service Mountain Island Educational Forest-Visitor and Interpretive Center	4,000,000	-
Deer Fence on Research Stations	200,000	-
Aviary Egg Layer Research Building	1,750,000	-
State Fair Renovations/Infrastructure Improvements	2,500,000	-
State Fair Horse Complex	1,000,000	-
Animal Disease Diagnostic Laboratory Equipment	500,000	-
Department of Environment and Natural Resources		
Fort Fisher Aquarium Seawall	590,000	590,000
Gorilla Expansion	450,000	-
Department of Transportation		
Anson County Blacksmith Shop	-	195,000
Nash County Equipment Shop	-	194,200

Gaston County Equipment Shop	-	2,409,000
Greenville DMV Office	-	4,168,866
Wildlife Resources Commission		
Boating Access New Construction	3,750,000	3,750,000
Land Acquisition	900,000	900,000
Jordan Lake Depot	500,000	-
Fishing Access Construction	-	200,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$ 19,640,000**	**12,407,066**

SECTION 31.4.(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 seventy-five thousand dollars ($75,000) for the 2015-2016 fiscal year and the sum of seventy-five thousand dollars ($75,000) for the 2016-2017 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 31.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2015-2016 and the 2016-2017 fiscal years, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) One-third of the funds shall be allocated to the Board of Governors of The University of North Carolina.

(2) Two-thirds of the funds shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(e). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

SECTION 31.5.(b) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.

(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.

(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required

reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 31.5.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

SECTION 31.5.(d) The Board of Governors shall consider the availability of non-General Fund resources in determining which projects to fund with funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 31.6. The appropriations made by the 2015 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2015 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2015 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPORTING ON CAPITAL PROJECTS

SECTION 31.7.(a) Definitions. – The following definitions apply in this section:

(1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with State funds, including receipts, non-General Fund sources, or statutorily or constitutionally authorized

indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars ($100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.

(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 31.7.(b) Reporting. – The following reports are required:

(1) By October 1, 2015, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations.

(2) By October 1, 2015, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

SECTION 31.7.(c) The reports required by subsection (b) of this section shall include at least the following information about every agency capital project:

(1) The current construction phase of the project.

(2) The anticipated time line from the current construction phase to project completion.

(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.

(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.

(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

SECTION 31.7.(d) In addition to the other reports required by this section, on October 1, 2015, and every six months thereafter, the Office of State Construction shall report on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative Commission on Governmental Operations. The report shall include (i) summary information about the average length of time that passes between FCAP assessments for an average State building; (ii) detailed information about when the last FCAP assessment was for each State building complex; and (iii) detailed information about the condition and repairs and renovations needs of each State building complex.

SECTION 31.7.(e) In addition to the other reports required by this section, on October 1, 2015, and quarterly thereafter, the State Construction Office shall report to the General Assembly on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval, and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

NATIONAL GUARD PROJECTS

SECTION 31.8.(a) The Department of Public Safety shall allocate the funds allocated for armory and facility development projects in Section 31.2(a) of this act to projects designated by the Adjutant General of the North Carolina National Guard. The Adjutant General shall only provide for the allocation of funds to projects that were included in the latest

Armory and Facilities Development Plan developed pursuant to G.S. 127A-210 and may determine which fiscal year of the biennium each designated project shall be funded. These funds will provide a State match for federal funds made available for this purpose.

SECTION 31.8.(b) No later than June 1, 2017, and every two years thereafter, the Department shall report on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management. Each report shall include all of the following:

(1) The status of all projects undertaken pursuant to this section.
(2) The estimated total cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project, including federal matching funds.
(6) Facilities planned for closure or reversion.
(7) A list of projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

REQUIRE NON-GENERAL FUND RESOURCES TO BE USED FOR ADVANCED PLANNING OF UNIVERSITY CAPITAL PROJECTS

SECTION 31.9. G.S. 143C-3-3 reads as rewritten:

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

…

(b) University of North Carolina System Request. – Notwithstanding the requirement in G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the constituent institutions of The University of North Carolina, ~~repairs~~budget requests of the University shall be subject to all of the following:

(1) Repairs and ~~renovations,~~renovations requests, capital fund requests, and information technology requests shall comply with subsections (c), (d), and (e) of this section.
(2) The University of North Carolina shall not make a capital funds request proposing to construct a new facility, expand the building area (square feet) of an existing facility, or rehabilitate an existing facility to accommodate new or expanded uses unless the University has first completed advanced planning of the project with funds other than General Fund appropriations and other than funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3.

…."

TRANSFER OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES OFF OF THE DOROTHEA DIX CAMPUS

SECTION 31.10.(a) The Department of Administration, in consultation with the Department of Health and Human Services and any other relevant State agencies, shall develop a plan for moving the personnel and resources of the Department of Health and Human Services that currently reside on the Dorothea Dix campus to other space available to the State. The Department of Administration shall report the plan to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than the earlier of October 1, 2016, or six months prior to the date on which the Department is required to move some or all of its personnel and resources from the Dorothea Dix campus under the terms of an agreement between the State and the City of Raleigh. The plan required by this section shall include at least the following information:

(1) The location to which the personnel and resources of the Department of Health and Human Services will be relocated.
(2) The square footage needed in order to accommodate the relocation.
(3) A statement of anticipated costs or benefits associated with the relocation.
(4) A schedule for implementation of the relocation plan.
(5) Identification of any potential obstacles to the relocation plan.
(6) Options for financing the relocation plan, developed in conjunction with the State Treasurer and the State Controller.

SECTION 31.10.(b) Notwithstanding any other provision of law, the Department of Administration shall not enter into any lease or other agreement to move the personnel or resources of the Department of Health and Human Services that currently reside on the Dorothea Dix campus to other space until specifically authorized to do so by the General Assembly.

MODIFY SPECIAL INDEBTEDNESS PROVISIONS

SECTION 31.11.(a) G.S. 143-128.1C reads as rewritten:

"**§ 143-128.1C. Public-private partnership construction contracts.**

(a) Definitions for purposes of this section:

…

(4) Development contract. – Any contract between a governmental entity and a private developer under this section and, as part of the contract, the private developer is required to provide at least fifty percent (50%) of the financing for the total cost necessary to deliver the capital improvement project, whether through lease or ownership, for the governmental entity. For purposes of determining whether the private developer is providing the minimum percentage of the total financing costs, the calculation shall not include any payment made by a public entity or proceeds of financing arrangements by a private entity where the source of repayment is a public entity.

…

(10) State-supported financing arrangement. – Any installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset or funds for payment, or any similar arrangement in the nature of a financing, under which a State entity agrees to make payments to acquire or obtain ownership or beneficial use of a capital asset for the State entity or any other State entity for a term, including renewal options, of greater than one year. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment thereunder by a State entity as "interest" for purposes of federal income taxation shall automatically be a State-supported financing arrangement for purposes of this section. A true operating lease is not a State-supported financing arrangement.

…

(k) Leases and other agreements entered into under this section are subject to approval as follows:

…

(2) If a capital lease ~~is~~ or other agreement entered into by a State entity ~~that~~ constitutes a State-supported financing arrangement and requires payments thereunder that are payable, whether directly or indirectly, and whether or not subject to the appropriation of funds for such payment, by payments

from the General Fund of the State or other funds and accounts of the State that are funded from the general revenues and other taxes and fees of the State or State entities, not including taxes and fees that are required to be deposited to the Highway Fund or Highway Trust ~~Fund,~~Fund to be used to make payments under capital leases or other agreements for projects covered under Article 14B of Chapter 136 of the General Statutes, that capital lease or other agreement shall be subject to the approval procedures required for special indebtedness by G.S. 142-83 and G.S. 142-84. This requirement shall not apply to any arrangement where bonds or other obligations are issued or incurred by a State entity to carry out a financing program authorized by the General Assembly under which such bonds or other obligations are payable from monies derived from specified, limited, nontax sources, so long as the payments under that arrangement by a State entity are limited to the sources authorized by the General Assembly.

…."

SECTION 31.11.(b) This section is effective when this act becomes law.

TWO-THIRDS BONDS ACT OF 2015

SECTION 31.12.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2015."

SECTION 31.12.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities.

SECTION 31.12.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a State capital facility.

b. The cost of engineering, architectural, and other consulting services as may be required.

c. Administrative expenses and charges.

d. The cost of providing personnel to ensure effective project management.

e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of bond and note issuance to the extent and as determined by the State Treasurer.

f. Finance charges, reserves for debt service, and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.

g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or

other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of any bond or note.

h. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

i. Any other costs and expenses necessary or incidental to the purposes of this section.

(3) Credit facility. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association, or other banking institution; an insurance company, reinsurance company, surety company, or other insurance institution; a corporation, investment banking firm, or other investment institution; or any financial institution or other similar provider of a credit facility, which provider may be located within or without the United States, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption, or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including the following:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.

b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.

c. Such other provision as the State Treasurer may determine to be consistent with this act and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) State. – The State of North Carolina, including any State agency.

(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 31.12.(d) Authorization of Bonds and Notes. – The State Treasurer is authorized, by and with the consent of the Council of State, to issue and sell at one time or from time to time general obligation bonds of the State to be designated "State of North Carolina General Obligation Bonds," with any additional designations as may be determined, or notes of the State, in the aggregate principal amount of up to two hundred sixty-nine million five hundred twenty-five thousand two hundred dollars ($269,525,200), this amount being not in excess of two-thirds of the amount by which the State's outstanding indebtedness was reduced during the fiscal biennium that ended June 30, 2015, for the purpose of providing funds, with any other available funds, for the purposes authorized by this section. However, bonds shall only be issued under this section for projects listed in subsection (f) of this section that are not otherwise authorized by May 31, 2016, to be financed with general obligation debt approved by a majority of the qualified voters of the State who vote thereon.

SECTION 31.12.(e) Uses of Bond and Note Proceeds. – The proceeds of bonds and notes shall be used for financing the cost of State capital facilities as provided in this section. Any additional monies that may be received by grant from the United States of America or any agency or department thereof or from any other source to aid in financing the cost of any State capital facilities authorized by this section may be placed by the State Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the terms of the grant, without regard to any limitations imposed by this section.

The proceeds of bonds and notes may be used with any other monies made available by the General Assembly for the cost of State capital facilities, including the proceeds of any other State bond or special indebtedness issues, whether heretofore made available or that may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller, which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

The Office of State Budget and Management shall provide semiannual reports to the chair of the Senate Appropriations/Base Budget Committee, the chair of the House of Representatives Appropriations Committee, and the Fiscal Research Division on the expenditure of monies authorized by this section. The reports shall continue until the completion of the projects provided for in this section.

SECTION 31.12.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated and expended as provided as follows:

(1) A maximum aggregate principal amount of seventy million seven hundred eighty-two thousand dollars ($70,782,000) to finance the capital facility costs of a health sciences building at Appalachian State University.

(2) A maximum aggregate principal amount of sixty-five million one hundred thousand dollars ($65,100,000) to finance the capital facility costs of an engineering building at North Carolina State University.

(3) A maximum aggregate principal amount of ninety million dollars ($90,000,000) to finance the capital facility costs of a new sciences building at the University of North Carolina at Charlotte.

(4) A maximum aggregate principal amount of twelve million nine hundred seventy-six thousand dollars ($12,976,000) to finance the capital facility costs of a new DHHS medical examiner facility at Wake Forest University.

(5) A maximum aggregate principal amount of thirty million six hundred sixty-seven thousand two hundred dollars ($30,667,200) to finance the capital facility costs of Phase 1 of the Highway Patrol Training Academy.

SECTION 31.12.(g) Issuance of Bonds and Notes. –

(1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be

determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State of North Carolina or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature that may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons, who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of purchase, or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available monies.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
3. For the renewal of any loan evidenced by notes authorized in this section;
4. For the purposes authorized in this section; and
5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government, or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the obligations described in (i), (ii), or (iii) above having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable or, if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance, or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities that may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest-rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 31.12.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 31.12.(i) Interpretation of Section. –

(1) Additional method. – The foregoing subsections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to affect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section that can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 31.12.(j) The State, upon the direction of the Director of the Budget, and subject to the limitations set forth in subsection (d) of this section, may finance with the proceeds of special indebtedness the capital facility costs of a project set forth in subsection (f) of this section and approved for financing with proceeds of bonds authorized pursuant to this section. If the financing is to be provided by special indebtedness, then such indebtedness may be issued or incurred before the enactment of this act or during or beyond the fiscal biennium ending June 30, 2017. The total amount of financing for a project from special indebtedness and the proceeds of two-thirds bonds issued pursuant to this section shall not exceed the applicable amount set forth in subsection (f) of this section.

SECTION 31.12.(k) This section is effective when this act becomes law.

DEBT AFFORDABILITY STUDY FOR THE UNIVERSITY OF NORTH CAROLINA

SECTION 31.13. Chapter 116D of the General Statutes is amended by adding a new Article to read:

"Article 5.

"Managing Debt Capacity.

"**§ 116D-55. Purpose.**

The purpose of this Article is to provide tools for sound debt management at The University of North Carolina by requiring each constituent institution to conduct an annual debt affordability study, by requiring the establishment of guidelines for maintaining prudent debt levels, and by establishing a system for prioritizing University capital needs when the needs exceed the University's capacity for new debt.

"**§ 116D-56. Debt affordability study required.**

(a) Study Required. – The Board of Governors shall annually advise the Governor and the General Assembly on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years. The Board shall oversee the undertaking of an annual debt affordability study and the establishment of guidelines for evaluating the University's debt burden. The guidelines should include target and ceiling ratios of debt to obligated resources and target and floor percentages for the five-year payout ratio. The Board shall also recommend any other debt management policies it considers desirable and consistent with sound management of the University's debt.

(b) Board of Governors Reporting Required. – The Board shall report its findings and recommendations to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina General Administration by February 1 of each year. The report shall be accompanied by each of the reports provided to the Board pursuant to subsection (c) of this section.

(c) Constituent Institution Reporting Required. – No later than November 1 of each year, each constituent institution shall report to the Board of Governors on its current and anticipated debt levels. The report shall be made in a uniform format to be prescribed by the Board of Governors. Each report shall include at least the following:

(1) The amount and type of outstanding debt of the institution.
(2) The sources of repayment of the debt.
(3) The amount of debt that the institution plans to issue or incur during the next five years.
(4) A description of projects financed with the debt.
(5) The current bond rating of the institution and information about any changes to that bond rating since the last report was submitted.
(6) Information about the constituent institution's debt management policies and any recommendations for methods to maintain or improve the University's bond rating.
(7) Debt burden comparisons to comparable peer institutions.
(8) Any other information requested by the Board of Governors.

(d) Definitions. – The following definitions apply in this section:
(1) Debt. – Debt incurred under this Chapter or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds appropriated from the General Fund of the State.
(2) Obligated resources. – As defined in G.S. 116D-22."

AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND RENOVATIONS PROJECTS WITH FUNDS AVAILABLE

SECTION 31.14.(a) Notwithstanding G.S. 143C-8-7, a State agency may undertake repairs and renovations projects so long as each project satisfies the following requirements:
(1) Total project costs do not exceed three hundred thousand dollars ($300,000).
(2) The project satisfies the requirements of G.S. 143C-4-3(b).
(3) The project is paid for with funds available to the agency.

SECTION 31.14.(b) Projects undertaken pursuant to this section shall be reported to the Fiscal Research Division on a quarterly basis. A report under this subsection shall include information about all of the following for each project:
(1) The facility at which the project is being undertaken.
(2) The nature and scope of the project.
(3) The source of funds for the project.
(4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls within.

ADVANCE PLANNING/NEW SCHOOL OF SCIENCE AND MATHEMATICS

SECTION 31.15.(a) Having considered the study conducted by the Board of Governors, the North Carolina School of Science and Mathematics and the Department of Public Instruction on the feasibility for a western campus of the North Carolina School of Science and Mathematics (School of Science and Math), the General Assembly finds that a western School of Science and Math located on the campus of the North Carolina School for the Deaf, vacated Broughton Hospital, or other State property adjacent to one of those tracts shall be established. The General Assembly further finds that the establishment of a western School of Science and Math at that location would be beneficial to the economic growth and workforce preparedness in western North Carolina and would extend the opportunity for the unique study experience provided by the School of Science and Math to a significant number of additional students with excellent academic records.

SECTION 31.15.(b) No later than June 30, 2016, the Board of Governors shall do the following:

(1) Determine the most appropriate location on any of the State property that is described in subsection (a) of this section, including the repurposing of property.

(2) Begin advanced planning for the facility.

SECTION 31.15.(c) The School of Science and Math shall consider opportunities to share services (such as maintenance) that may be available with any other State entity that is on, adjacent to, or near the property.

SECTION 31.15.(d) The General Assembly authorizes advance planning of the western School of Science and Math to be funded at a maximum cost of two million four hundred thousand dollars ($2,400,000) in accordance with this section. The sum of one million six hundred thousand dollars ($1,600,000) allocated for this purpose in Section 31.2(a) of this act shall be used for this purpose. The remainder shall be funded by a non-State entity or combination of non-State entities.

SECTION 31.15.(e) The Board of Governors and the School of Science and Math shall report to the Joint Legislative Education Oversight Committee regarding the progress on site selection and advanced planning for the western School of Science and Math by January 30, 2016.

CREATE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON CAPITAL IMPROVEMENTS

SECTION 31.16.(a) Article 29 of Chapter 120 of the General Statutes is amended by adding three new sections to read:

"**§ 120-261. Creation and membership of Joint Legislative Oversight Committee on Capital Improvements.**

The Joint Legislative Oversight Committee on Capital Improvements is established. The Committee consists of 16 members as follows:

(1) Eight members of the House of Representatives appointed by the Speaker of the House of Representatives.

(2) Eight members of the Senate appointed by the President Pro Tempore of the Senate.

Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year, except the terms of the initial members, which begin on appointment and end on the day of the convening of the 2017 General Assembly. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

A member continues to serve until the member's successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"**§ 120-262. Purpose and powers of the Committee.**

(a) The Joint Legislative Oversight Committee on Capital Improvements shall have the power to do all of the following:

(1) Examine, on a continuing basis, capital improvements requested by, authorized for, and undertaken by or on behalf of State agencies.

(2) Have oversight over implementation of the six-year capital improvements plan developed pursuant to G.S. 143C-8-5.

(3) Make recommendations to the General Assembly on ways to improve the planning, financing, design, construction, and maintenance of State capital improvements.

(4) Make reports and recommendations to the General Assembly regarding which capital improvements requested by State agencies should be authorized and how they should be funded.

(5) Examine any other topic the Committee believes to be related to its purpose.

(b) As used in this section, the term "capital improvement" shall have the same meaning as in G.S. 143C-1-1.

"**§ 120-263. Organization of Committee.**

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Capital Improvements. The Committee shall meet upon the call of the cochairs.

(b) A quorum of the Committee is nine members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The cochairs of the Committee may call upon other knowledgeable persons or experts to assist the Committee in its work."

SECTION 31.16.(b) G.S. 120-76(9) is repealed.

PART XXXII. FINANCE PROVISIONS

EXTEND RESEARCH AND DEVELOPMENT TAX CREDIT FOR FOUR YEARS

SECTION 32.1.(a) G.S. 105-129.51(b) reads as rewritten:

"(b) This Article is repealed for taxable years beginning on or after ~~January 1, 2016.~~January 1, 2020."

SECTION 32.1.(b) G.S. 105-129.50(6) reads as rewritten:

"(6) Qualified North Carolina research expenses. – Qualified research expenses, ~~other than~~ including North Carolina university research expenses, for research performed in this State."

SECTION 32.1.(c) This section is effective when this act becomes law.

EXTEND RENEWABLE ENERGY CREDIT FOR TWO YEARS FOR SOLAR PROJECTS AND FOR FOUR YEARS FOR ALL OTHER PROJECTS

SECTION 32.2.(a) G.S. 105-129.16A(e), as amended by Section 1 of S.L. 2015-11, reads as rewritten:

"**§ 105-129.16A. Credit for investing in renewable energy property.**

…

(e) Sunset. – Except for taxpayers covered by subsection (f) of this section, this section is repealed effective for renewable energy property placed into service on or after ~~January 1, 2016.~~January 1, 2020."

SECTION 32.2.(b) G.S. 105-129.15 reads as rewritten:

"**§ 105-129.15. Definitions.**

The following definitions apply in this Article:

…

(7) Renewable energy property. – Any of the following machinery and equipment or real property:

a. Biomass equipment that uses renewable biomass resources for biofuel production of ethanol, methanol, and biodiesel; anaerobic biogas production of methane utilizing agricultural and animal waste or garbage; or commercial thermal or electrical generation. The term also includes related devices for converting, conditioning, and storing the liquid fuels, gas, and electricity produced with biomass equipment.

b. Combined heat and power system property. – Defined in section 48 of the Code.

c. Geothermal equipment that meets either of the following descriptions:

1. It is a heat pump that uses the ground or groundwater as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure.

2. It uses the internal heat of the earth as a substitute for traditional energy for water heating or active space heating or cooling.

d. Hydroelectric generators located at existing dams or in free-flowing waterways, and related devices for water supply and control, and converting, conditioning, and storing the electricity generated.

~~e. Solar energy equipment that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. The term also includes related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.~~

f. Wind equipment required to capture and convert wind energy into electricity or mechanical power, and related devices for converting, conditioning, and storing the electricity produced or relaying the electricity by cable from the turbine motor to the power grid.

…."

SECTION 32.2.(c) G.S. 105-129.16A(c)(2) reads as rewritten:

"(2) Nonbusiness. – The following ceilings apply to renewable energy property placed in service for a nonbusiness purpose:

~~a. One thousand four hundred dollars ($1,400) per dwelling unit for solar energy equipment for domestic water heating, including pool heating.~~

b. Three thousand five hundred dollars ($3,500) per dwelling unit for solar energy equipment for active space heating, combined active space and domestic hot water systems, and passive space heating.

c. Eight thousand four hundred dollars ($8,400) for each installation of geothermal equipment.

d. Ten thousand five hundred dollars ($10,500) for each installation of any other renewable energy property."

SECTION 32.2.(d) Subsections (b) and (c) of this section become effective January 1, 2018, and apply to renewable energy property placed into service on or after that date. The remainder of this section is effective when this act becomes law.

HISTORIC PRESERVATION TAX CREDIT

SECTION 32.3.(a) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 3L.

"Historic Rehabilitation Tax Credits Investment Program.

"**§ 105-129.100. Credit for rehabilitating income-producing historic structure.**

(a) Credit. – A taxpayer who is allowed a federal income tax credit under section 47 of the Code for making qualified rehabilitation expenditures for a certified historic structure located in this State is allowed a credit equal to the sum of the following:

(1) Base amount. – The percentage of qualified rehabilitation expenditures at the levels provided in the table below:

Expenses Over	**Up To**	**Rate**
0	$10 million	15.00%
$10 million	$20 million	10.00%

(2) Development tier bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars ($20,000,000) if the certified historic structure is located in a development tier one or two area.

(3) Targeted investment bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars ($20,000,000) if the certified historic structure is located on an eligible targeted investment site.

(b) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and G.S. 105-269.15, a pass-through entity that qualifies for the credit provided in this section may allocate the credit among any of its owners in its discretion as long as an owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of the taxable year in which the certified historic structure is placed in service, is at least forty percent (40%) of the amount of credit allocated to that owner. Owners to whom a credit is allocated are allowed the credit as if they had qualified for the credit directly. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under G.S. 105-131.8 or G.S. 105-269.15.

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

(1) Certified historic structure. – Defined in section 47 of the Code.

(2) Development tier area. – Defined in G.S. 143B-437.08.

(3) Eligibility certification. – A certification obtained from the State Historic Preservation Officer that the site comprises an eligible targeted investment site.

(4) Eligible targeted investment site. – A site located in this State that satisfies all of the following conditions:

a. It was used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility.

b. It is a certified historic structure.

c. It has been at least sixty-five percent (65%) vacant for a period of at least two years immediately preceding the date the eligibility certification is made.

(5) Pass-through entity. – Defined in G.S. 105-228.90.

(6) Qualified rehabilitation expenditures. – Defined in section 47 of the Code.

(7) State Historic Preservation Officer. – The Deputy Secretary of the Office of Archives and History of the North Carolina Department of Cultural Resources, or the Deputy Secretary's designee, who acts to administer the historic preservation programs within the State.

(8) Targeted investment. – Qualified rehabilitation expenditures on a certified historic structure that is located on an eligible targeted investment site.

(d) Limitations. – The amount of credit allowed under this section with respect to qualified rehabilitation expenditures for an income-producing certified historic structure may not exceed four million five hundred thousand dollars ($4,500,000).

"**§ 105-129.101. Credit for rehabilitating non-income-producing historic structure.**

(a) Credit. – A taxpayer who is not allowed a federal income tax credit under section 47 of the Code and who has rehabilitation expenses of at least ten thousand dollars ($10,000) for a State-certified historic structure located in this State is allowed a credit equal to fifteen percent (15%) of the rehabilitation expenses.

(b) Limitations. – The amount of credit allowed under this section with respect to rehabilitation expenses for a non-income-producing certified historic structure may not exceed twenty-two thousand five hundred dollars ($22,500) per discrete property parcel. In the event that the taxpayer is the transferee of a State-certified historic structure for which rehabilitation expenses were made, the taxpayer as transferee is allowed a credit under this section only if the transfer takes place before the structure is placed in service. In this event, no other taxpayer may claim such credit. A taxpayer is allowed to claim a credit under this section no more than once in any five-year period, carryovers notwithstanding.

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

(1) Certified rehabilitation. – Repairs or alterations consistent with the Secretary of the Interior's Standards for Rehabilitation and certified as such by the State Historic Preservation Officer.

(2) Discrete property parcel. – A lot or tract described by metes and bounds, a deed or plat of which has been recorded in the deed records of the county in which the property is located, and on which a State-certified historic structure is located, or a single condominium unit in a State-certified historic structure.

(3) Placed in service. – The later of the date on which the rehabilitation is completed or the date on which the property is used for its intended purpose.

(4) Rehabilitation expenses. – Expenses incurred in the certified rehabilitation of a certified historic structure and added to the property's basis. The expenses must be incurred within any 24-month period per discrete property parcel. The term does not include the cost of acquiring the property, the cost attributable to the enlargement of an existing building, the cost of site work expenditures, or the cost of personal property.

(5) State-certified historic structure. – A structure that is individually listed in the National Register of Historic Places or is certified by the State Historic Preservation Officer as contributing to the historic significance of a National Register Historic District or a locally designated historic district certified by the United States Department of the Interior.

(6) State Historic Preservation Officer. – Defined in G.S. 105-129.100(c)(7).

"**§ 105-129.102. Rules; fees.**

(a) Rules. – The North Carolina Historical Commission, in consultation with the State Historic Preservation Officer, may adopt rules needed to administer any certification process required by this Article.

(b) Fees. – The North Carolina Historical Commission, in consultation with the State Historic Preservation Officer, may adopt a schedule of fees for providing any certifications

required by this Article, or Article 3D or 3H as they provided as of December 31, 2014. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department of Cultural Resources. An application fee may not exceed one percent (1%) of the completed qualifying rehabilitation expenditures. The proceeds of the fees are receipts of the Department of Cultural Resources and must be used for performing its duties under this Article.

"**§ 105-129.103. Tax credited; credit limitations.**

(a) Tax Credited. – The credits provided in this Article are allowed against the franchise tax imposed in Article 3 of this Chapter, the income taxes levied in Article 4 of this Chapter, or the gross premiums tax imposed in Article 8B of this Chapter. The taxpayer may take a credit allowed by this Article against only one of the taxes against which it is allowed. The taxpayer must elect the tax against which a credit will be claimed when filing the return on which it is claimed, and this election is binding. Any carryforwards of a credit must be claimed against the same tax.

(b) Return. – A taxpayer may claim a credit allowed by this Article on a return filed for the taxable year in which the certified historic structure was placed into service. When an income-producing certified historic structure as defined in G.S. 105-129.100 is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is the amount based on the qualified rehabilitation expenditures associated with the phase placed into service during that year.

(c) Cap. – A credit allowed under this Article may not exceed the amount of the tax against which it is claimed for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding nine years.

(d) Forfeiture for Disposition. – A taxpayer who is required under section 50 of the Code to recapture all or part of the federal credit for rehabilitating an income-producing historic structure located in this State forfeits the corresponding part of the State credit allowed under G.S. 105-129.100 with respect to that historic structure. If the credit was allocated among the owners of a pass-through entity, the forfeiture applies to the owners in the same proportion that the credit was allocated.

(e) Forfeiture for Change in Ownership. – If an owner of a pass-through entity that has qualified for the credit allowed under G.S. 105-129.100 disposes of all or a portion of the owner's interest in the pass-through entity within five years from the date the rehabilitated historic structure is placed in service and the owner's interest in the pass-through entity is reduced to less than two-thirds of the owner's interest in the pass-through entity at the time the historic structure was placed in service, the owner forfeits a portion of the credit. The amount forfeited is determined by multiplying the amount of credit by the percentage reduction in ownership and then multiplying that product by the forfeiture percentage. The forfeiture percentage equals the recapture percentage found in the table in section 50(a)(1)(B) of the Code.

(f) Exceptions to Forfeiture. – Forfeiture as provided in subsection (e) of this section is not required if the change in ownership is the result of any of the following:

(1) The death of the owner.

(2) A merger, consolidation, or similar transaction requiring approval by the shareholders, partners, or members of the taxpayer under applicable State law, to the extent the taxpayer does not receive cash or tangible property in the merger, consolidation, or other similar transaction.

(g) Liability From Forfeiture. – A taxpayer or an owner of a pass-through entity that forfeits a credit under this section is liable for all past taxes avoided as a result of the credit plus interest at the rate established under G.S. 105-241.21, computed from the date the taxes would have been due if the credit had not been allowed. The past taxes and interest are due 30 days

after the date the credit is forfeited. A taxpayer or owner of a pass-through entity that fails to pay the taxes and interest by the due date is subject to the penalties provided in G.S. 105-236.

(h) Substantiation. – To claim a credit allowed by this Article, the taxpayer must provide any information required by the Secretary of Revenue, including a copy of the certification obtained from the State Historic Preservation Office verifying that the historic structure has been rehabilitated in accordance with the requirements set out in this Article, and a copy of the eligibility certification if the historic structure is located in an eligible targeted investment site and the target investment bonus is claimed. Every taxpayer claiming a credit under this Article must maintain and make available for inspection by the Secretary of Revenue any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. The burden of proving eligibility for the credit and the amount of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

(i) No Double Credit. – A taxpayer that claims a credit under this Article may not also claim a credit under Article 3D or Article 3H of this Chapter with respect to the same activity.

"**§ 105-129.104. Report; tracking.**

(a) The Department must include in the economic incentives report required by G.S. 105-256 the following information itemized by taxpayer:

(1) The number of taxpayers that took the credits allowed in this Article.

(2) The amount of rehabilitation expenses and qualified rehabilitation expenditures with respect to which credits were taken.

(3) The total cost to the General Fund of the credits taken.

(b) The Department shall include in the economic incentives report required by G.S. 105-256 the following information:

(1) The total amount of tax credits claimed and the total amount of tax credits taken against current taxes, by type of tax, during the relevant tax year.

(2) The total amount of tax credits carried forward, by type of tax.

"**§ 105-129.105. Sunset.**

This Article expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2021."

SECTION 32.3.(b) G.S. 105-129.75 reads as rewritten:

"**§ 105-129.75. Sunset.**

This Article expires January 1, 2015, for rehabilitation projects for which an application for an eligibility certification is submitted on or after that date. Eligibility certifications under this Article expire January 1, 2023."

SECTION 32.3.(c) Subsection (a) of this section becomes effective January 1, 2015, and applies to qualified rehabilitation expenditures and rehabilitation expenses incurred on or after that date. The remainder of the section is effective when this act becomes law.

SENIOR TAX DEDUCTION FOR MEDICAL EXPENSES

SECTION 32.4.(a) G.S. 105-153.5(a) reads as rewritten:

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

(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	$15,000
Head of Household	12,000
Single	7,500
Married, filing separately	7,500.

(2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

a. Charitable contribution deduction amount. – The amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year.

b. Mortgages expenses and property taxes. – The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount claimed by the taxpayer as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. The amount allowed under this sub-subdivision may not exceed twenty thousand dollars ($20,000). For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate taxes claimed by both spouses combined may not exceed twenty thousand dollars ($20,000). For spouses filing as married filing separately with a joint obligation for mortgage interest and real estate taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of the mortgage interest and real estate taxes paid by both spouses exceeds twenty thousand dollars ($20,000), these deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

c. Medical expenses. – The amount allowed as a deduction for medical expenses under section 213 of the Code for that taxable year."

SECTION 32.4.(b) This section is effective for taxable years beginning on or after January 1, 2015.

EXTEND SALES TAX PREFERENCES FOR MOTORSPORTS FOR FOUR YEARS

SECTION 32.2A.(a) G.S. 105-164.4I(b)(3) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

…

(3) An item purchased by a professional motorsports racing team or a related member of a team for which the team may receive a sales tax refund under G.S. 105-164.14A(5).

…."

SECTION 32.2A.(b) This section is effective when it becomes law and applies to service contracts purchased on or after January 1, 2014.

SECTION 32.2B.(a) G.S. 105-164.14A(a) reads as rewritten:

"(a) Refund. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article:

…

(4) Motorsports team or sanctioning body. – A professional motorsports racing team, a motorsports sanctioning body, or a related member of such a team or body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state. For purposes of this subdivision, a "motorsports event" includes a motorsports race, a motorsports sponsor event, and motorsports testing. This subdivision is repealed for purchases made on or after ~~January 1, 2016.~~January 1, 2020.

(5) Professional motorsports team. – A professional motorsports racing team or a related member of a team is allowed a refund of fifty percent (50%) of the sales and use tax paid by it in this State on tangible personal property, other than tires or accessories, that comprises any part of a professional motorsports vehicle. For purposes of this subdivision, "motorsports accessories" includes instrumentation, telemetry, consumables, and paint. This subdivision is repealed for purchases made on or after ~~January 1, 2016.~~January 1, 2020.

…."

SECTION 32.2B.(b) This section is effective when this act becomes law.

EXTEND SALES TAX REFUND FOR PASSENGER AIR CARRIERS FOR FOUR YEARS

SECTION 32.6.(a) G.S. 105-164.14A(a)(1) reads as rewritten:

"(a) Refund. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article:

(1) Passenger air carrier. – An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of two million five hundred thousand dollars ($2,500,000). The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). This subdivision is repealed for purchases made on or after January 1, ~~2016.~~2020."

SECTION 32.6.(b) This section is effective when this act becomes law.

DATA CENTER INFRASTRUCTURE

SECTION 32.7.(a) G.S. 105-164.3 reads as rewritten:

"**§ 105-164.3. Definitions.**

The following definitions apply in this Article:

…

(33) Purchase price. – The term has the same meaning as the term "sales price" when applied to an item subject to use tax.

(33a) Qualifying data center. – A data center that satisfies each of the following conditions:

a. The data center meets the wage standard and health insurance requirements of G.S. 143B-437.08A.

b. The Secretary of Commerce has made a written determination that at least seventy-five million dollars ($75,000,000) in private funds has been or will be invested by one or more owners, users, or tenants of the data center within five years of the date the owner, user, or tenant of the data center makes its first real or tangible property investment in the data center on or after January 1, 2012. Investments in real or

tangible property in the data center made prior to January 1, 2012, may not be included in the investment required by this subdivision.

(33b) Real property contractor. – A person that contracts to perform construction, reconstruction, installation, repair, or any other service with respect to real property and to furnish tangible personal property to be installed or applied to real property in connection with the contract and the labor to install or apply the tangible personal property that becomes part of real property. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H.

~~(33b)~~(33c) Related member. – Defined in G.S. 105-130.7A.

~~(33c)~~(33d) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

…."

SECTION 32.7.(b) G.S. 105-164.13 is amended by adding a new subdivision to read:

"(55a) Sales of electricity for use at a qualifying data center and data center support equipment to be located and used at the qualifying data center. As used in this subdivision, "data center support equipment" is property that is capitalized for tax purposes under the Code and is used for any of the following purposes:

a. For the provision of a service or function included in the business of an owner, user, or tenant of the data center.

b. For the generation, transformation, transmission, distribution, or management of electricity, including exterior substations, generators, transformers, unit substations, uninterruptible power supply systems, batteries, power distribution units, remote power panels, and other capital equipment used for these purposes.

c. For HVAC and mechanical systems, including chillers, cooling towers, air handlers, pumps, and other capital equipment used for these purposes.

d. For hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment.

e. To provide related computer engineering or computer science research.

If the level of investment required by G.S. 105-164.3(33a) is not timely made, the exemption provided under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33a) is timely made but any specific data center support equipment is not located and used at the qualifying data center, the exemption provided for such data center support equipment under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33a) is timely made but any portion of electricity is not used at the qualifying data center, the exemption provided for such electricity under this subdivision is forfeited. A taxpayer that forfeits an exemption under this subdivision is liable for all past taxes avoided as a result of the forfeited exemption, computed from the date the taxes would

have been due if the exemption had not been allowed, plus interest at the rate established under G.S. 105-241.21. If the forfeiture is triggered due to the lack of a timely investment required by G.S. 105-164.3(33a), interest is computed from the date the taxes would have been due if the exemption had not been allowed. For all other forfeitures, interest is computed from the time as of which the data center support equipment or electricity was put to a disqualifying use. The past taxes and interest are due 30 days after the date the exemption is forfeited. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236."

SECTION 32.7.(c) This section becomes effective July 1, 2015, and applies to sales made on or after that date.

EXEMPT SERVICE CONTRACTS ON AIRCRAFT

SECTION 32.8.(a) G.S. 105-164.4I(b) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) An item exempt from tax under this Article, other than a motor vehicle exempt from tax under G.S. 105-164.13(32).

(2) A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

(3) An item purchased by a professional motorsports racing team for which the team may receive a sales tax refund under G.S. 105-164.14A(5).

(4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.

(5) A qualifying aircraft or qualifying jet engine if the service contract is sold by the manufacturer of the aircraft or jet engine or a related member of the manufacturer. A qualifying aircraft is an aircraft with a maximum take-off weight of more than 10,000 pounds but not in excess of 20,000 pounds; a qualifying jet engine is an engine certified pursuant to Part 33 of Title 14 of the Code of Federal Regulations."

SECTION 32.8.(b) This section becomes effective July 1, 2017, and applies to sales made on or after that date.

EXEMPT ADMISSION CHARGE TO CERTAIN AGRICULTURAL FAIRS FROM TAX

SECTION 32.10.(a) G.S. 105-164.4G(f) is amended by adding a new subdivision to read:

"(f) Exemptions. – The following gross receipts derived from an admission charge to an entertainment activity are specifically exempt from the tax imposed by this Article:

…

(6) An agricultural fair if all of the following conditions are met:

a. The fair is operated solely by a nonprofit entity that is exempt from tax under Article 4 of this Chapter.

b. The fair meets the requirements of G.S. 106-520.1, as determined by the Commissioner of Agriculture."

SECTION 32.10.(b) This section becomes effective July 1, 2015, and applies to gross receipts derived on or after that date.

PART XXXIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 33.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 33.2.(a) The N.C. House of Representatives Appropriations Committee Report on the Base, Expansion and Capital Budgets for House Bill 97, dated May 19, 2015, which was distributed in the House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 33.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2015-2017 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

SECTION 33.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation. In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly shall prevail.

REPORT BY FISCAL RESEARCH DIVISION

SECTION 33.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2015 Regular Session of the General Assembly. The report shall be in the form of a revision of the Committee Report adopted for House Bill 97 pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

MOST TEXTAPPLIES TO THE 2015-2017 FISCAL BIENNIUM

SECTION 33.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2015-2017 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2015-2017 fiscal biennium.

EFFECT OF HEADINGS

SECTION 33.5. The headings to the Parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

SEVERABILITY

SECTION 33.6. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 33.7. Except as otherwise provided, this act becomes effective July 1, 2015.