

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2015-241
HOUSE BILL 97**

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	1,069,066,998	1,065,895,520
Department of Public Instruction	8,516,769,297	8,419,444,621
University of North Carolina – Board of Governors		
Appalachian State University	127,841,892	127,835,582
East Carolina University		
Academic Affairs	210,407,112	210,739,558
Health Affairs	73,527,686	73,527,686
Elizabeth City State University	33,759,228	33,759,228
Fayetteville State University	48,741,530	48,741,530
NC A&T State University	90,898,021	90,898,021
NC Central University	82,132,848	82,132,848
NC State University		
Academic Affairs	392,256,502	392,249,291
Agricultural Extension	38,595,927	38,595,927
Agricultural Research	53,099,332	53,099,332



UNC-Asheville	37,592,283	37,592,283
UNC-Chapel Hill		
Academic Affairs	252,265,861	252,265,861
Health Affairs	187,779,905	187,779,905
AHEC	49,282,678	49,282,678
UNC-Charlotte	198,971,605	198,971,605
UNC-Greensboro	143,459,427	143,459,427
UNC-Pembroke	53,184,870	53,192,105
UNC-School of the Arts	28,669,298	28,669,298
UNC-Wilmington	101,627,684	101,473,413
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	110,112,626	35,984,886
Related Educational Programs	108,168,501	108,168,501
NC School of Science & Mathematics	19,786,361	19,787,561
Aid to Private Institutions	116,719,754	127,419,754
Total University of North Carolina – Board of Governors	2,746,562,578	2,683,307,927

HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Central Management and Support	122,466,586	130,033,253
Division of Aging and Adult Services	43,815,337	43,815,337
Division of Blind Services/Deaf/HH	8,173,207	8,173,207
Division of Child Development and Early Education	232,462,829	243,033,976
Health Service Regulation	16,105,247	16,110,674
Division of Medical Assistance	3,736,574,943	3,916,237,272
Division of Mental Health	596,082,420	537,861,308
NC Health Choice	12,556,342	746,758
Division of Public Health	141,377,220	148,298,428
Division of Social Services	183,183,263	185,533,263
Division of Vocation Rehabilitation	37,752,132	37,752,132
Total Health and Human Services	5,130,549,526	5,267,595,608

AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	116,314,975	116,955,773
Department of Commerce		
Commerce	57,487,974	57,596,128
Commerce State-Aid	20,754,240	18,055,810
Department of Cultural Resources		
Cultural Resources	163,398,267	169,289,403
Roanoke Island Commission	523,384	523,384
Wildlife Resources Commission	10,153,623	10,023,496
Department of Environment and Natural Resources	81,306,602	82,429,609
Department of Labor	15,995,359	15,822,235

JUSTICE AND PUBLIC SAFETY

Department of Public Safety	1,848,129,110	1,847,365,626
Judicial Department	484,931,217	484,126,321

Judicial Department – Indigent Defense	116,002,897	116,629,964
Department of Justice	53,849,464	52,715,592
GENERAL GOVERNMENT		
Department of Administration	61,340,912	58,664,485
Office of Administrative Hearings	5,180,184	5,143,413
Department of State Auditor	12,103,663	12,004,791
Office of State Controller	22,853,779	22,726,386
State Board of Elections	6,764,842	6,513,363
General Assembly	57,409,649	57,009,051
Office of the Governor		
Office of the Governor	5,822,109	5,566,174
Office of the Governor – Special Projects	2,000,000	2,000,000
Office of State Budget and Management	7,683,949	7,531,408
OSBM – Reserve for Special Appropriations	14,781,688	2,000,000
Housing Finance Agency	21,618,739	25,660,000
Department of Insurance	38,652,279	38,355,246
Office of Lieutenant Governor	682,875	677,972
Department of Military and Veterans Affairs	9,536,995	7,806,254
Department of Revenue	81,059,539	80,457,679
Department of Secretary of State	11,888,691	11,750,695
Department of State Treasurer		
State Treasurer	10,262,911	10,348,384
State Treasurer – Retirement for Fire and Rescue Squad Workers	22,041,299	21,691,299
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Contingency and Emergency Fund	5,000,000	5,000,000
Salary Adjustment Reserve	12,500,000	25,000,000
OSHR Minimum of Market Adjustment	0	12,000,000
Reserve for Future Benefit Needs	0	71,000,000
Workers' Compensation Reserve	23,500,543	21,500,543
Information Technology Reserve	21,320,843	21,320,843
Information Technology Fund	21,755,191	21,681,854
IT Reserve – Budget Transparency Project	814,000	0
One North Carolina Fund	6,995,976	9,000,000
Job Development Investment Grants (JDIG)	57,816,215	71,728,126
Film and Entertainment Grant Fund	30,000,000	30,000,000
Public Schools Average Daily Membership (ADM)	0	107,000,000
UNC System Enrollment Growth Reserve	0	31,000,000
Debt Service		

General Debt Service	713,159,643	701,849,215
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	21,717,958,405	21,913,380,578

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	2,033,330	182,588,544
Over Collections FY 2014-15	445,820,623	0
Reversions FY 2014-15	415,657,138	0
Proceeds from Sale of Dix Received in FY 2014-15	2,000,000	0
Revenue Adjustment as per S.L. 2015-2	(1,000,000)	0
Earmarkings of Year End Fund Balance:		
Savings Reserve	(200,000,000)	0
Repairs and Renovations	(400,000,000)	0
Beginning Unreserved Fund Balance	264,511,091	182,588,544
Revenues Based on Existing Tax Structure	20,981,400,000	21,592,400,000
Non-tax 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 Non-Tax Revenues	168,000,000	168,800,000
Highway Fund Transfer	215,900,000	215,900,000
Subtotal Non-tax Revenues	983,700,000	983,700,000
Total General Fund Availability	22,229,611,091	22,758,688,544
Adjustments to Availability: 2015 Session		
Historic Preservation Tax Credit	0	(8,000,000)
Modify Corporate Income Tax Rate Trigger, Expand Corporate Tax Base, and Repeal Bank Privilege Tax	6,000,000	0
Phase-In Single Sales Factor Apportionment	(7,900,000)	(23,300,000)
Reduce Individual Income Tax (Reduces Rate to 5.499% in 2017, Restores Medical Deduction, and Raises Standard Deduction)	(117,300,000)	(437,100,000)
Expand Sales Tax Base	44,500,000	159,500,000
Transfer Additional Local Sales Tax Revenue for Economic Development, Public Education, and Community Colleges	0	(17,600,000)
Renewable Energy Safe Harbor (S.L. 2015-11)	0	(36,700,000)
Repeal Highway Fund Transfer	(215,900,000)	(215,900,000)
Transfer to Medicaid Transformation Fund	(75,000,000)	(150,000,000)
Standard & Poor's Settlement Funds	19,382,143	0
Master Settlement Agreement Funds to Golden L.E.A.F.	(10,000,000)	(10,000,000)
Department of Justice Tobacco Settlement	2,194,000	0
Transfer from Federal Insurance Contributions Act (FICA) Fund	4,296,802	641,628
Transfer from E-Commerce Fund Cash Balance	3,000,000	0

Transfer from DPS Enterprise Resource Planning System IT Fund	9,000,000	0
Adjustment of Transfer from Treasurer's Office	62,998	18,471
Adjustment of Transfer from Insurance Regulatory Fund	355,915	58,882
Realign Judicial Fees	25,000,000	25,000,000
Subtotal Adjustments to Availability: 2015 Session	(312,308,142)	(713,381,019)
Revised General Fund Availability	21,917,302,949	22,045,307,525
Less General Fund Appropriations	(21,734,714,405)	(21,919,468,078)
Unappropriated Balance Remaining	182,588,544	125,839,447

SECTION 2.2.(b) G.S. 105-164.44D is repealed.

SECTION 2.2.(c) Notwithstanding the provisions of G.S. 143C-4-3(a), the State Controller shall transfer a total of four hundred million dollars (\$400,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2015. This subsection becomes effective June 30, 2015.

SECTION 2.2.(d) Of the funds transferred under subsection (c) of this section to the Repairs and Renovations Reserve:

- (1) The sum of one hundred fifty million dollars (\$150,000,000) is appropriated from the Reserve for Repairs and Renovations for the 2015-2016 fiscal year and shall be used in accordance with Section 31.5 of this act.
- (2) If House Bill 943, 2015 Regular Session, is not ratified prior to January 1, 2016, an additional sum of two hundred fifty million dollars (\$250,000,000) is appropriated from the Reserve for Repairs and Renovations for the 2015-2016 fiscal year and shall be used in accordance with Section 31.5 of this act. If House Bill 943, 2015 Regular Session, is ratified prior to January 1, 2016, then these funds shall be transferred from the Reserve for Repairs and Renovations to the Savings Reserve Account. 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.

SECTION 2.2.(e) 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.(f) 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.

Budget Code	Fund Code	Description	FY 2015-2016 Amount	FY 2016-2017 Amount
24100	2514	E-Commerce Fund	\$3,000,000	\$0
24160	2000	NC FICA Account	4,296,802	641,628
24554	2004	DPS – Enterprise Resource Planning System IT Fund	9,000,000	0

SECTION 2.2.(g) The State Controller shall transfer the net proceeds from the sale of the Dorothea Dix Hospital property in the amount of forty-nine million eight hundred ninety-nine thousand four hundred fifty-six dollars (\$49,899,456) to the Dorothea Dix Hospital Property Fund, established pursuant to Section 12F.7(b) of this act. 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.

SECTION 2.2.(h) The State Controller shall reserve from funds available in the General Fund the sum of seventy-five million dollars (\$75,000,000) nonrecurring for the 2015-

2016 fiscal year and the sum of one hundred fifty million dollars (\$150,000,000) nonrecurring for the 2016-2017 fiscal year. The funds reserved in this subsection shall be transferred and deposited in the Medicaid Transformation Fund established in Section 12H.29 of this act. Funds deposited in the Medicaid Transformation Fund 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.

SECTION 2.2.(i) Funds reserved by Section 2.2 of S.L. 2014-100 in the Medicaid Contingency Reserve established in Section 12H.38 of that act 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.

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	33,377,654	33,313,151
Construction	45,054,878	42,554,878
Maintenance	1,227,435,222	1,300,435,872
Planning and Research	0	0
OSHA Program	358,030	358,030
State Aid to Municipalities	147,500,000	147,500,000
Intermodal Divisions		
Ferry	40,600,395	40,600,395
Public Transportation	88,173,419	88,173,419
Aviation	38,260,952	33,760,952
Rail	23,651,674	23,651,674
Bicycle and Pedestrian	726,895	726,895
Governor's Highway Safety Division of Motor Vehicles	251,241 120,334,217	251,241 120,334,217
Other State Agencies, Reserves, Transfers	64,417,173	60,728,046
Capital Improvements	5,019,700	6,965,700
Total Highway Fund Appropriations	\$ 1,947,788,129	\$ 1,989,601,149

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	1,959,030,000	1,918,940,000
Adjustment to Revenue Availability:		
Motor Fuel Tax (Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund)	(10,960,000)	(10,390,000)
Motor Fuel Tax (Wildlife Resources Fund)	120,524	116,409

Motor Fuel Tax (Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund)	0	1,775,000
Motor Fuel Tax Distribution	(76,290,000)	(73,800,000)
Division of Motor Vehicles Fee Adjustments	75,887,605	152,959,740
Revised Total Highway Fund Availability	\$ 1,947,788,129	\$ 1,989,601,149
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	61,012,229
Strategic Prioritization Funding Plan for Transportation Investments	1,179,455,486	1,193,757,958
Total Highway Trust Fund Appropriations	\$ 1,312,540,000	\$ 1,339,235,000

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 Distribution	76,290,000	73,800,000
Motor Fuel Tax (Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund)	0	725,000
Division of Motor Vehicles Fee Adjustments	16,180,000	33,510,000
Highway Use Tax Adjustments	4,170,000	10,000,000
Total Highway Trust Fund Availability	\$ 1,312,540,000	\$ 1,339,235,000
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, revenue funds, enterprise funds, and internal service funds 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, 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 in 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
Noninstructional Support Personnel	\$ 310,455,157	\$ 314,950,482
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
TOTAL	\$ 529,902,000	\$ 534,397,325

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

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) Expenses of the lottery shall also include a transfer of two million one hundred thousand dollars (\$2,100,000) annually to the Department of Public Safety, Alcohol Law Enforcement Branch, for gambling enforcement activities."

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

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

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

"§ 18C-175. Use of public assistance funds.

The Commission and all lottery game retailers are prohibited from accepting any form of public assistance funds for the purchase of any lottery ticket or participation in any lottery game."

SECTION 5.2.(e) The Lottery Commission shall adopt any rules necessary to implement the provisions of 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	132,320,490	128,341,640
Total Appropriation	\$150,320,490	\$173,735,408

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 by the General Assembly for this purpose for the 2016-2017 and 2017-2018 fiscal years.

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 5.4. Notwithstanding G.S. 143C-9-7, the sum of six million dollars (\$6,000,000) in each year of the 2015-2017 fiscal biennium is transferred from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks and Digital Resources Allotment.

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, (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act, (iii) by the State Treasurer to pay death benefits as authorized under Article 12A of Chapter 143 of the General Statutes, (iv) by the Office of the Governor for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (v) by the Industrial Commission for supplemental awards of compensation, or (vi) by the Department of Justice for legal fees. 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) G.S. 147-69.2(b) reads as rewritten:

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

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

- ...
- (12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions apply:
- a. With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to ~~twenty percent (20%)~~ ten percent (10%) of such assets may be invested in the investments authorized under subdivisions ~~(7)(6c)~~ through ~~(9)(9a)~~ of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions.
 - b. The State Treasurer shall engage a third-party professional actuary or consultant to conduct a valuation and projection of the financial status of the Escheat Fund. The associated costs for the services may be directly charged to the Escheat Fund. The State Treasurer shall communicate the valuation of the actuary or consultant in an annual report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate substantive committees of each chamber. The annual report shall evaluate claims by owners upon the Escheat Fund, current and projected investment returns, and projected contributions to the Escheat Fund. In the report, the State Treasurer shall assess the status of utilizing the Escheat Fund as an endowment fund and shall recommend an annual amount available for the funding of scholarships, loans, and grants from the Fund. The annual report shall be presented no later than December 31 of each year.
 - c. The State Treasurer shall invest, in addition to those investments authorized by subdivision (12) of this subsection, ten percent (10%) of the net assets of the Escheat Fund as authorized 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. Investments; special funds held by the State Treasurer.

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

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

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

The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts of interests such that (i) the designees of the State Treasurer and Governor who selected the third-party investment management firm, (ii) the staff of the State Treasurer overseeing the Fund, and (iii) the third-party investment management firm's employees selecting or overseeing Fund investments do not provide services for compensation (as an employee, consultant, or

otherwise), within two years after the end of their service to the Fund, to any entity in which an investment from the Fund was made.

By October 1, 2015, and at least semiannually thereafter, the State Treasurer 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. This report shall be made for the Fund in lieu of the reports required by G.S. 147-69.1(e), 147-69.2(b)(10a), 147-69.3(h), 147-69.3(i), and 147-69.8.

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

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

STATE AGENCIES/REPORTS ON LEGISLATIVE LIAISONS AND SALARY INFORMATION

SECTION 6.4. By January 1, 2016, 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 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.

EUGENICS COMPENSATION PAYMENTS

SECTION 6.13. G.S. 143B-426.51 reads as rewritten:

"§ 143B-426.51. Compensation payments.

(a) A claimant determined to be a qualified recipient under this Part shall receive compensation in the amount determined by this subsection from funds appropriated for these purposes. A qualified recipient shall receive compensation in the form of ~~two-three~~ payments. By October 31, 2014, claimants determined by the Commission to be qualified recipients shall receive an initial payment as provided by this section. Claimants determined to be qualified recipients after that date shall receive an initial payment within 60 days of the Commission's determination. A second and payment shall be made as provided for in this section. A final payment shall be made after the exhaustion of all appeals arising from the denial of eligibility for compensation under this Part.

The initial payment to each qualified recipient will be calculated by adding together the number of qualified recipients as of October 1, 2014, and the number of claims outstanding that are pending, then dividing that total number into the sum of ten million dollars (\$10,000,000). The initial payment checks shall be remitted by October 31, 2014.

The second payment of fifteen thousand dollars (\$15,000) shall be made to each qualified recipient who is determined to be eligible for compensation as of June 1, 2015. The second payment checks shall be remitted by November 1, 2015.

The final payment calculation will be made by taking the balance of compensation funds remaining after the exhaustion of appeals and dividing that sum equally between the number of qualified recipients determined finally to be eligible to receive compensation. The final payment checks shall be remitted within 90 days of the exhaustion of the last appeal. Any qualified claimant who was successful on appeal and who did not receive an initial payment or second payment shall be paid an amount equal to the initial and second payment amount, amounts, plus the amount from the final payment calculation, and less the amount of any compensation previously received pursuant to this section.

The Office and the State Controller shall collaborate to facilitate the administration of this section so as to effectuate the compensation of qualified recipients as soon as practicable.

...."

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.17. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

CLARIFY THE CONSULTATION REQUIREMENT BEFORE THE JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL OPERATIONS WHEN A STATE AGENCY ESTABLISHES OR INCREASES A FEE OR CHARGE

SECTION 6.18. G.S. 12-3.1(a) reads as rewritten:

"(a) Authority. – Only the General Assembly has the power to authorize an agency to establish or increase a fee or charge for the rendering of any service or fulfilling of any duty to the public. In the construction of a statute, unless that construction would be inconsistent with the manifest intent of the General Assembly or repugnant to the context of the statute, the legislative grant of authority to an agency to adopt rules shall not be construed as a grant of authority to the agency to establish by rule a fee or a charge for the rendering of any service or fulfilling of any duty to the public, unless the statute expressly provides for the grant of authority to establish a fee or charge for that specific service. Notwithstanding any other law, a rule adopted by an agency to establish or increase a fee or charge shall not go into effect until the agency has consulted with the Joint Legislative Commission on Governmental Operations on the amount and purpose of the fee or charge to be established or increased. Where a rule provides for a periodic automatic adjustment to a fee, the agency that adopts the rule is not required to consult with the Commission every time the fee automatically adjusts. The agency shall submit a request for consultation to all members of the Commission, the Commission Assistant, and the Fiscal Research Division of the General Assembly on the same date the notice of text of the rule is published. The request for consultation shall consist of a written report stating (i) the amount of the current fee or charge, if applicable, (ii) the amount of the proposed new or increased fee or charge, (iii) the statutory authority for the fee or charge, and (iv) a detailed explanation of the need for the establishment or increase of the fee or charge."

EMERGENCY AND DISASTER RESPONSE FUNDING CHANGES

SECTION 6.19.(a) G.S. 166A-19.40 reads as rewritten:

"§ 166A-19.40. Use of contingency and emergency funds.

(a) ~~Use of Funds for Relief and Assistance.~~ Contingency and Emergency Funds. – The Governor may use contingency and emergency funds as necessary and appropriate to provide relief and assistance from the effects of an emergency and may reallocate such other funds as may reasonably be available within the appropriations of the various departments when the severity and magnitude of the emergency so requires and the contingency and emergency funds are insufficient or inappropriate funds:

- (1) As necessary and appropriate to provide relief and assistance from the effects of an emergency.
- (2) As necessary and appropriate for National Guard training in preparation for emergencies with the concurrence of the Council of State.

(b) ~~Use of Funds for National Guard Training.~~ – In preparation for a state of emergency, with the concurrence of the Council of State, the Governor may use contingency and emergency funds as necessary and appropriate for National Guard training in preparation for emergencies.

(c) Use of Other Funds. – The Governor may reallocate such other funds as may reasonably be available within the appropriations of the various departments when all of the following conditions are satisfied:

- (1) The severity and magnitude of the emergency so requires.
- (2) Contingency and emergency funds are insufficient or inappropriate.
- (3) A state of emergency has been declared pursuant to G.S. 166A-19.20(a).
- (4) Funds in the State Emergency Response and Disaster Relief Fund are insufficient."

SECTION 6.19.(b) G.S. 166A-19.42 reads as rewritten:

"§ 166A-19.42. State Emergency Response Account and Disaster Relief Fund.

(a) Account Established. – There is established a State Emergency Response Account and Disaster Relief Fund as a reserve in the General Fund. Any funds appropriated to the ~~Account Fund~~ shall remain available for expenditure as provided by this section, unless directed otherwise by the General Assembly.

(b) Use of Funds. – The Governor may spend funds from the ~~Account Fund~~ for the following purposes:

- (1) To cover the start-up costs of State Emergency Response Team operations for an emergency that poses an imminent threat of a Type I, Type II, or Type III disaster.
- (2) To cover the cost of first responders to a Type I, Type II, or Type III disaster and any related supplies and equipment needed by first responders that are not provided for under subdivision (1) of this subsection.
- (3) To provide relief and assistance in accordance with G.S. 166A-19.41 from the effects of an emergency.

~~All other types of emergency assistance authorized by this Part shall continue to be financed by the funds made available under G.S. 166A-19.41.~~

(c) Reporting Requirement. – The Governor shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and House of Representatives on any expenditures from the State Emergency Response ~~Account and Disaster Relief Fund~~ no later than 30 days after making the expenditure. The report shall include a description of the emergency and type of action taken."

SECTION 6.19.(c) G.S. 166A-19.3 reads as rewritten:

"§ 166A-19.3. Definitions.

The following definitions apply in this Article:

- (1) ~~Account.~~ The State Emergency Response Account established in G.S. 166A-19.42.

...
(17a) State Emergency Response and Disaster Relief Fund. – The fund established in G.S. 166A-19.42.

...."

CONTINUATION REVIEW OF CERTAIN FUNDS/PROGRAMS/DIVISIONS

SECTION 6.20.(a) It is the intent of the General Assembly to review the funds, agencies, divisions, and programs financed by State government. This process is known as the Continuation Review Program. The Continuation Review Program is intended to assist the General Assembly in determining whether to continue, reduce, or eliminate funding for the funds, agencies, divisions, and programs subject to continuation review.

SECTION 6.20.(b) The Senate Appropriations/Base Budget Committee and the House of Representatives Appropriations Committee may review the funds, programs, divisions, and transfers from the Highway Fund listed in this section and shall determine whether to continue, reduce, or eliminate these funds, programs, divisions, and transfers from the Highway Fund, subject to the Continuation Review Program. The Fiscal Research Division may issue instructions to the State departments and agencies subject to continuation review regarding the expected content and format of the reports required by this section. The following funds, agencies, divisions, programs, and transfers from the Highway Fund are subject to continuation review as provided in this section:

- (1) Funds, agencies, divisions, and programs financed by transfers from the Highway Fund:
 - a. Department of Environment and Natural Resources –
 1. Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.
 2. Division of Air Quality Inspection and Maintenance Fees.
 3. Division of Air Quality Water and Air Quality Account.
 4. Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund.
 5. Mercury Pollution Prevention Account.
 - b. Department of Insurance –
 1. Rescue Squad Workers' Relief Fund.
 2. Volunteer Rescue/EMS Grant Program.
 3. State Fire Protection.
 - c. Department of Public Safety – Inmate Road Squads and Litter Crews.
 - d. Office of the State Controller – Funding transferred for BEACON support.
 - e. Wildlife Resources Commission – Boating Account.
- (2) Other agencies, divisions, and programs:
 - a. North Carolina Human Relations Commission.
 - b. Department of Health and Human Services –
 1. Office of Minority Health.
 2. Maternal and Child Health Programs.

SECTION 6.20.(c) The continuation review reports required in this section shall include the following information:

- (1) A description of the fund, agency, division, or program mission, goals, and objectives, including statutorily required functions and functions performed without specific statutory authority.
- (2) The performance measures for the fund, agency, division, or program and the problem or need addressed.
- (3) The extent to which the fund, agency, division, or program objectives and performance measures have been achieved.
- (4) A detailed accounting of all sources of funds for the fund, agency, division, or program.
- (5) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public, including recommendations regarding whether to transfer the program to the Division of Motor Vehicles or to elsewhere in the Department of Transportation.
- (6) The consequences of discontinuing funding or of continuing funding with a source other than a transfer from the Highway Fund.
- (7) Recommendations for improving services or reducing costs or duplication.
- (8) The identification of policy issues that should be brought to the attention of the General Assembly.

- (9) Other information necessary to fully support the General Assembly's Continuation Review Program along with any information included in instructions from the Fiscal Research Division.

SECTION 6.20.(d) State departments and agencies identified in subsection (b) of this section shall submit a report of the preliminary findings of the continuation review to the Fiscal Research Division no later than December 1, 2015, and shall submit a final report to the Fiscal Research Division no later than April 1, 2016.

LRC STUDY ON METHODS FOR INCREASING TRANSFERS TO THE SAVINGS RESERVE ACCOUNT

SECTION 6.21.(a) The Legislative Research Commission (LRC) shall study methods for increasing the amount of funds transferred to the Savings Reserve Account. As part of its study, the LRC shall do all of the following:

- (1) Examine potential costs and benefits of requiring one or more of the following to be transferred periodically to the Savings Reserve Account:
 - a. Growth in General Fund revenue in excess of a benchmark growth rate.
 - b. A particular percentage or dollar amount of General Fund revenue each fiscal year.
 - c. Some portion of growth in the sources of revenue identified pursuant to subdivision (2) of this subsection each fiscal year.
 - d. Interest earned on special funds.
- (2) Identify specific sources of State revenue that are especially volatile.
- (3) Consider how the timing of transfers to the Savings Reserve Account affects the amount transferred and the stability of the General Fund.
- (4) Determine the appropriate target balance of the Savings Reserve Account, if different from the goal set forth in G.S. 143C-4-2.
- (5) Any other matters the Commission deems relevant to its efforts to increase the amount of funds in the Savings Reserve Account.

SECTION 6.21.(b) The LRC shall report its findings, together with any proposed legislation, to the 2016 Regular Session of the 2015 General Assembly upon its convening.

REQUIRE TRANSFER OF SAVINGS FROM THE REFINANCING OF CERTAIN STATE DEBT TO BE TRANSFERRED TO THE SAVINGS RESERVE

SECTION 6.23.(a) Article 1 of Chapter 142 of the General Statutes is amended by adding a new section to read:

"§ 142-15.4. Savings from refinancing of general obligation bonds to be placed in the Savings Reserve Account.

Whenever general obligation bonds issued or incurred by the State are refinanced:

- (1) The General Assembly shall not reduce the funds appropriated for servicing the refinanced debt during the fiscal biennium in which the refinancing occurs.
- (2) The State Controller shall, in conjunction with the State Treasurer, periodically transfer the savings resulting from the refinancing of the debt to the Savings Reserve Account established pursuant to G.S. 143C-4-2 during the fiscal biennium in which the refinancing occurs.
- (3) The Director of the Budget shall, in the fiscal biennium immediately following the refinancing, adjust the amount of debt service funded in the base budget so that it aligns with actual debt service needs."

SECTION 6.23.(b) Article 9 of Chapter 142 of the General Statutes is amended by adding a new section to read:

"§ 142-96. Savings from refinancing of special indebtedness to be placed in the Savings Reserve Account.

Whenever special indebtedness issued or incurred pursuant to this Article is refinanced:

- (1) The General Assembly shall not reduce the funds appropriated for servicing the refinanced debt during the fiscal biennium in which the refinancing occurs.
- (2) The State Controller shall, in conjunction with the State Treasurer, periodically transfer the savings resulting from the refinancing of the debt to

the Savings Reserve Account established pursuant to G.S. 143C-4-2 during the fiscal biennium in which the refinancing occurs.

- (3) The Director of the Budget shall, in the fiscal biennium immediately following the refinancing, adjust the amount of debt service funded in the base budget so that it aligns with actual debt service needs."

SECTION 6.23.(c) This section becomes effective July 1, 2017, and applies to indebtedness issued, incurred, or refinanced on or after that date.

MSA CHANGES

SECTION 6.24.(a) G.S. 143C-9-3 reads as rewritten:

"§ 143C-9-3. Settlement Reserve Fund.

(a) The "Settlement Reserve Fund" is established in the General Fund as a special fund in the Office of State Budget and Management to receive proceeds from tobacco litigation settlement agreements or final orders or judgments of a court in litigation between tobacco companies and the states. Funds credited to the Settlement Reserve Fund each fiscal year shall be included in General Fund availability as nontax revenue.

(a1) Each year, the sum of ten million dollars (\$10,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation. The remainder of the funds credited to the Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included in General Fund availability as nontax revenue.

...."

SECTION 6.24.(b) G.S. 66-290 reads as rewritten:

"§ 66-290. Definitions.

As used in this Article:

...

- (10) "Units sold" means the number of individual cigarettes sold in the State by the applicable tobacco product manufacturer (whether directly or through a distributor, retailer, or similar intermediary or intermediaries) during the year in question, as measured by excise taxes collected by the State on packs (or "roll your own" tobacco containers), on which the State has authority under federal law to impose excise or similar taxes or to collect escrow. The term does not include cigarettes sold (i) on a federal installation in a transaction that is exempt from state taxation under federal law or (ii) on a Native American tribe's reservation to a consumer who is an adult enrolled member of that tribe in a transaction that is exempt from state taxation under federal law. The Secretary of Revenue shall promulgate such rules as are necessary to ascertain the amount of State excise tax paid on the cigarettes of such tobacco product manufacturer for each year. In lieu of adopting rules, the Secretary of Revenue may issue bulletins or directives requiring taxpayers to submit to the Department of Revenue the information necessary to make the required determination under this subdivision."

SECTION 6.24.(c) G.S. 66-291 reads as rewritten:

"§ 66-291. Requirements.

...

(c) Each tobacco product manufacturer that elects to place funds into escrow pursuant to this section shall annually certify to the Attorney General that it is in compliance with this section. The Attorney General may bring a civil action on behalf of the State against any tobacco product manufacturer or joint and severally liable importer that fails to place into escrow the funds required under this section. Any tobacco product manufacturer that fails in any year to place into escrow the funds required under this section shall:

...."

SECTION 6.24.(d) G.S. 66-293 reads as rewritten:

"§ 66-293. Sale of certain cigarettes prohibited.

(a) Civil Penalty. – It is unlawful for a person required to pay taxes pursuant to Part 2 or 3 of Article 2A of Chapter 105 of the General Statutes to sell or deliver cigarettes belonging to a brand family of a nonparticipating manufacturer if the sale of the cigarettes is subject to such taxes unless the cigarettes are included on the compliant nonparticipating manufacturer's list prepared and made public by the Office of the Attorney General under G.S. 66-294.1 as of the

date the person sells or delivers the cigarettes. It is not a violation of this subsection if the brand family was on the compliant nonparticipating manufacturer's list when the person purchased the cigarettes and the person sold or delivered the cigarettes within ~~60~~30 days of the purchase. The Attorney General may impose a civil penalty on a person that it finds violates this subsection. The amount of the penalty may not exceed the greater of five hundred percent (500%) of the retail value of the cigarettes sold or five thousand dollars (\$5,000).

(b) Contraband. – Cigarettes described in subsection (a) of this section are contraband and may be seized by a law enforcement officer. The procedure for seizure and disposition of this contraband is the same as the procedure under G.S. 105-113.31 and G.S. 105-113.32 for non-tax-paid cigarettes."

SECTION 6.24.(e) G.S. 66-294(b) is amended by adding a new subdivision to read:

"§ 66-294. Duties of manufacturers.

...
(b) Nonparticipating Manufacturers. – A nonparticipating manufacturer must:

...
(7) Notwithstanding any other provision of law, if a newly qualified nonparticipating manufacturer is to be listed in the North Carolina Tobacco Directory (the Directory), or if the Attorney General reasonably determines that any nonparticipating manufacturer who has filed a certification pursuant to G.S. 66-291, et seq., poses an elevated risk for noncompliance with this Article, neither such nonparticipating manufacturer nor any of its brand families shall be included in the Directory unless and until such nonparticipating manufacturer, or its United States importer that undertakes joint and several liability for the manufacturer's performance in accordance with G.S. 66-291, et seq., has posted a bond in accordance with this section.

The bond shall be posted by a corporate surety located within the United States in a form and manner acceptable to the Attorney General, or a cash equivalent posted by the nonparticipating manufacturer, in an amount equal to the greater of fifty thousand dollars (\$50,000) or the greatest amount of escrow the manufacturer in either its current or predecessor form was required to deposit as a result of its highest calendar year's sales in North Carolina or greatest quarterly escrow deposit depending on the manufacturer's required escrow deposit frequency. The bond or its cash equivalent shall be posted at least 10 days in advance of each calendar year or quarter depending on the manufacturer's required escrow deposit frequency. The bond shall be written in favor of North Carolina and such bond or cash equivalent shall be conditioned on the performance by the nonparticipating manufacturer or its United States importer that undertakes joint and several liability for the manufacturer's performance, in accordance with G.S. 66-294.2, of all of its duties and obligations under this Article during the year in which the certification is filed and the next succeeding calendar year. The bond may be drawn upon by the Attorney General to cover unsatisfied escrow obligations, penalties, and any other liability under the tobacco laws of the State.

Some factors, though not exclusive, which the Attorney General may consider in determining whether any nonparticipating manufacturer or importer poses an elevated risk of noncompliance are (i) the nonparticipating manufacturer or any affiliate thereof or importer has illegally failed to satisfy an escrow obligation with respect to any state in the past; (ii) any state has removed the nonparticipating manufacturer or its brand families or an affiliate or any of the affiliate's brand families from the state's tobacco directory for noncompliance with the state's laws; (iii) any state has pending litigation against, or an unsatisfied judgment against the nonparticipating manufacturer or any affiliate thereof or importer for escrow or penalties related to noncompliance with state escrow laws; (iv) the nonparticipating manufacturer sells its cigarettes or tobacco products directly to consumers via remote or other non-face-to-face means; (v) a state or federal court has determined that the nonparticipating manufacturer or importer has violated

any tobacco tax or tobacco control law or engaged in unfair business practice or unfair competition; or (vi) the nonparticipating manufacturer or importer fails to submit or complete any required forms, documents, certifications, or notices, in a timely manner or, to the satisfaction of the Attorney General."

SECTION 6.24.(f) G.S. 66-294.1 reads as rewritten:

"§ 66-294.1. Duties of Attorney General.

...
(b) Supplemental Lists. – The Office of the Attorney General must supplement the annual lists as necessary to reflect additions to or deletions of manufacturers and brand families. The Attorney General shall delete a nonparticipating manufacturer and its brand families from the list if it determines that the manufacturer fails to comply with the duties listed in G.S. 66-294. The Attorney General must add a nonparticipating manufacturer and its brand families to the list if it determines all of the following:

- (1) The nonparticipating ~~manufacturer~~ manufacturer, as well as any joint and severally liable importer, has submitted an application under G.S. 66-294, and it is found to be complete and accurate.
- (2) The Office of the Attorney General has approved the manufacturer's escrow agreement.
- (3) The manufacturer has made any past due payments owed to its escrow account for any of its listed brand families.
- (4) The manufacturer has resolved any outstanding penalty demands or adjudicated penalties for its listed brand families.

...."
SECTION 6.24.(g) Part 2 of Article 37 of Chapter 66 of the General Statutes is amended by adding a new section to read:

"§ 66-294.2 Joint and several liability of importers of cigarettes manufactured by nonparticipating manufacturers located outside the United States.

For each nonparticipating manufacturer located outside the United States, each importer into the United States of any such nonparticipating manufacturer's brand families that are or are intended to be sold in North Carolina shall bear joint and several liability with such nonparticipating manufacturer for deposit of all escrow due under this Article and payment of all penalties imposed and shall so designate in a form prepared and provided by the Attorney General and shall appoint and continually maintain a process service agent with the Secretary of State and the Office of the Attorney General."

SECTION 6.24.(h) G.S. 105-259(b) reads as rewritten:

"§ 105-259. Secrecy required of officials; penalty for violation.

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

- ...
(40a) To furnish a data clearinghouse the information required to be released in accordance with the State's agreement under the December 2012 Term Sheet Settlement, as finalized by the State in the NPM Adjustment Settlement Agreement, concerning annual tobacco product sales by a nonparticipating manufacturer. Such information released to a data clearinghouse may be released to parties to the NPM Adjustment Settlement Agreement provided confidentiality protections are agreed to by the parties and overseen and enforced by this State's applicable court for enforcement of the Master Settlement Agreement for (i) any state information constituting confidential tax information or otherwise confidential under state law and (ii) manufacturer information designated confidential. The following definitions apply in this subdivision:
- a. Data clearinghouse. – Defined in the Term Sheet Settlement and in the NPM Adjustment Settlement Agreement.
 - b. Master Settlement Agreement. – Defined in G.S. 66-290.

- c. Nonparticipating manufacturer. – Defined in G.S. 66-292.
- d. NPM Adjustment Settlement Agreement. – The final executed settlement document resulting from the 2012 Term Sheet Settlement.
- e. Participating manufacturer. – Defined in G.S. 66-292.
- f. Term Sheet Settlement. – The settlement agreement entered into in December 2012 by the State and certain participating manufacturers under the Master Settlement Agreement.

...."

ALIGN AGENCY BUDGETS TO ACTUAL EXPENDITURES

SECTION 6.25.(a) Elimination of Certain Vacant Positions. – Notwithstanding G.S. 143C-6-4, and except as otherwise provided in subsection (c) of this section, each State agency, in conjunction with the Office of State Budget and Management, shall do all of the following:

- (1) Abolish all positions that have been vacant for more than 12 months as of April 17, 2015, other than those positions required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other State funds, or for which the Director of the Budget provides an exception, in the Director's sole discretion. This requirement shall apply regardless of the source of funding for affected positions.
- (2) Fund objects or line items in the certified budget for recurring obligations that have been funded from nonrecurring sources in two or more of the previous three fiscal years. The amount funded shall not exceed the average amount expended for each object or line item during the previous three fiscal years.
- (3) Fund objects or line items in the following priority order if funds generated pursuant to subdivision (1) of this subsection are insufficient to adequately fund all of the objects and line items described in subdivision (2) of this subsection:
 - a. Fund legal obligations of the agency that have been funded with lapsed salaries in prior years.
 - b. Fund operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with lapsed salaries in prior years.
 - c. Fund legal obligations of the agency or operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with other nonrecurring sources in prior years.
 - d. Fund operational deficiencies where the obligation cannot be reduced and where no other source of funding exists and failure to fund will result in operational disruptions or unfunded liabilities at fiscal year-end.
- (4) Adjust the appropriate objects or line items in the next recommended base budget submitted pursuant to G.S. 143C-3-5 to reflect the actions taken pursuant to this subsection.

SECTION 6.25.(b) Reporting. – No later than December 1, 2015, the Office of State Budget and Management shall report to the Fiscal Research Division on the implementation of this section. The report shall include all of the following, by budget code and fund code:

- (1) A list of positions abolished pursuant to subdivision (1) of subsection (a) of this section.
- (2) A list of positions that were exempted from being abolished pursuant to subdivision (1) of subsection (a) of this section.
- (3) A list of objects or line items funded pursuant to subdivision (2) of subsection (a) of this section and the associated amount for each object or line item.
- (4) The amount and disposition of savings from the Highway Fund, federal funds, and other non-State agency dedicated receipt sources.

- (5) A list of objects or line items that were not funded because the funds generated pursuant to subdivision (1) of this subsection were insufficient.

SECTION 6.25.(c) Section Inapplicable to Certain Vacant Positions. – This section shall not apply to vacant positions (i) within the Department of Transportation or (ii) reclassified pursuant to Section 30.18(e) of this act.

CAP STATE FUNDED PORTION OF NONPROFIT SALARIES

SECTION 6.26. No more than one hundred twenty thousand dollars (\$120,000) in State funds may be used for the annual salary of any individual employee of a nonprofit organization receiving State funds. For the purposes of this section, the term "State funds" means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from those funds.

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	\$21,755,191	\$21,681,854

Appropriations are made from the Information Technology Fund for the 2015-2017 fiscal biennium as follows:

Criminal Justice Information Network	\$193,085	\$193,085
Center for Geographic Information and Analysis	\$503,810	\$503,810
Enterprise Security Risk Management	\$871,497	\$871,497
Staffing and Strategic Projects	\$7,873,903	\$7,873,903
First Net (State Match)	\$140,000	\$140,000
Enterprise Project Management Office	\$1,501,234	\$1,501,234
IT Strategy and Standards	\$865,326	\$865,326
State Portal	\$233,510	\$233,510
Process Management	\$398,234	\$398,234
IT Consolidation	–	–
Government Data Analytics Center	\$9,101,255	\$9,101,255
Compensation Reserve	\$73,337	

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

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

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

SECTION 7.2.(a) IT Internal Service Fund. – For the 2015-2016 fiscal year, receipts for the IT Internal Service Fund shall not exceed one hundred eighty-eight million dollars (\$188,000,000). For fiscal year 2016-2017, receipts for the Internal Service Fund shall not exceed one hundred eighty-nine million dollars (\$189,000,000). For each year of the 2015-2017 fiscal biennium, receipts may be increased for specific purposes to a maximum of one hundred ninety-five million dollars (\$195,000,000), following consultation with the Joint Legislative Commission on Governmental Operations each time a requirement for an increase is identified. 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.

SECTION 7.2.(b) For the 2015-2016 fiscal year, receipts in excess of requirements, including information technology equipment and fixtures, shall be maintained in a separate account to be managed by the Office of State Budget and Management. The amounts received shall be used for the following purposes:

- (1) To offset agency budget shortfalls resulting from Department of Information Technology rate increases.
- (2) To offset Department of Information Technology Internal Service Fund budget shortfalls, if approved by the Office of State Budget and Management.

Any use of excess receipts shall be reported to the Joint Legislative Oversight Committee of Information Technology and the Fiscal Research Division.

SECTION 7.2.(c) For the 2016-2017 fiscal year, budget requirements and associated rates shall be developed based on actual service costs for fiscal year 2014-2015. These budget requirements and associated rates shall be developed and reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by October 1, 2016.

SECTION 7.2.(d) For the 2016-2017 fiscal year, receipts collected for IT Internal Service Fund services shall only be used for the specific purposes for which they were collected and are hereby appropriated for those purposes. Funds collected for information technology equipment and fixtures shall be separately maintained and accounted for by the Department of Information Technology, and such funds shall be used only for the replacement of the fixtures and equipment for which the funds were collected. By December 1, 2015, the Department of Information Technology 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) Agency Billing and Payments. – The State Chief Information Officer shall ensure that bills from the Department of Information Technology 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.

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	\$8,100,000	\$8,100,000
Improve Efficiency and Customer Service through IT Modernization	\$8,127,991	\$8,061,512
IT Restructuring	\$3,537,299	\$3,740,927
Economic Modeling Initiative	\$500,000	\$500,000
Maintenance Management System Replacement	\$173,180	\$129,901
NC Connect	\$593,899	\$788,503
Law Enforcement Information Exchange	\$288,474	–

SECTION 7.3.(b) Of the funds appropriated for Information Technology Modernization, 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 IT Restructuring shall be used solely for information technology restructuring planning and implementation.

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 Department of Information Technology and the State Chief Information Officer.

INFORMATION TECHNOLOGY ENTERPRISE ARCHITECTURE

SECTION 7.4.(a) By April 15, 2016, the Department of Information Technology, as enacted by this act, shall develop an information technology enterprise architecture for State government.

SECTION 7.4.(b) The completed State information technology enterprise 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).

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. On or before May 1, 2016, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the number of physical servers eliminated across all departments as a result of data center consolidation and the savings associated with such elimination.

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

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

SECTION 7.9.(c) The State Chief Information Officer shall establish an enterprise convenience contract with a vendor with offices located in this State for a full range of information technology products and services. These products and services shall include, but are not limited to, networking, security, infrastructure, data center hardware and software, storage, cloud-based systems and services, unified communications, conferencing, video, and wireless.

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

INFORMATION TECHNOLOGY PERFORMANCE MEASURES

SECTION 7.11.(a) On or before January 1, 2016, the State Chief Information Officer shall establish specific, quantifiable performance measures for each function performed by the Department of Information Technology and the State Chief Information Officer. These performance measures shall be posted on the Department of Information Technology 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) Any Department of Information Technology reviews of State agency information technology requests for proposal shall ensure the request maximizes vendor participation.

ELECTRONIC FORMS AND DIGITAL SIGNATURES

SECTION 7.13.(a) The State Chief Information Officer (State CIO) shall implement a digital forms program for State agencies that provides for the acquisition and use of information technologies that enable electronic review, submission, maintenance, or disclosure of information as a substitute for paper documents and hardcopy forms. This program shall be developed in consultation with participating agencies. In developing this capability, the State CIO shall implement a citizen-friendly electronic forms processing solution that does all of the following:

- (1) Allows form data to be saved locally and submitted electronically.
- (2) Supports interactive forms on desktop and mobile devices.
- (3) Enables forms to be electronically routed through a workflow.
- (4) Provides for the encryption of confidential and sensitive documents.
- (5) Provides for digital signatures, where applicable, to enable and ensure submitter identity, submitted form information, and acceptance of forms terms and requirements.

If practicable, this program shall be made available to all State agencies, departments, and institutions; local political subdivisions of the State; The University of North Carolina and its constituent institutions; community colleges; and local school administrative units.

SECTION 7.13.(b) On or before January 1, 2016, 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 digital identities and associated certificates, specific electronic forms, a time line for each implementation, and costs associated with the program.

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 and the sum of five hundred thousand dollars (\$500,000) for the 2016-2017 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 the Fiscal Research Division on the status of the economic modeling initiative.

STATE INFORMATION TECHNOLOGY BUDGETING

SECTION 7.16.(a) The Department of Information Technology (DIT), as created by this act, shall work with the Office of State Budget and Management (OSBM), the Office of the State Controller, and participating agencies to institute a process to oversee and manage State agency information technology funding. This joint effort shall include implementing a process for the following:

- (1) Developing State agency information technology budgets.
- (2) Determining what participating and separate agency information technology funding will transition to DIT and what will remain with the agencies.
- (3) Developing a plan to transfer appropriate funding to DIT in coordination with other State budget requirements.
- (4) Developing rates and chargebacks for support provided to agencies.
- (5) Identifying anticipated information technology cost savings.

- (6) Identifying any rule or statutory changes required to facilitate information technology budgeting oversight and management.

On or before January 1, 2016, OSBM and DIT shall report jointly to the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division on the development of the information technology budgeting process and any anticipated cost savings.

SECTION 7.16.(b) OSBM and DIT shall identify anticipated information technology cost savings projected for the 2017-2019 fiscal biennium, with documentation as to the specific sources and amounts of those savings, and shall report that information to the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division on or before January 1, 2016.

GOVERNMENTAL BUDGETARY TRANSPARENCY/EXPENDITURES ONLINE

SECTION 7.17.(a) In coordination with the State Controller and the Office of State Budget and Management (OSBM), the State Chief Information Officer (State CIO) shall establish a State budget transparency Internet Web site to provide information on budget expenditures for each State agency for each fiscal year beginning 2015-2016.

SECTION 7.17.(b) In addition, the State CIO shall coordinate with counties, cities, and local education agencies to facilitate the posting of their respective local entity budgetary and spending data on their respective Internet Web sites and to provide the data to the Local Government Commission (LGC) to be published, in a standardized format, on the State budget transparency Internet Web site established in subsection (a) of this section.

SECTION 7.17.(c) The Internet Web sites mandated by this section shall be fully functional by April 1, 2016. Each Internet Web site shall:

- (1) Be user-friendly with easy-to-use search features and data provided in formats that can be readily downloaded and analyzed by the public.
- (2) Include budgeted amounts and actual expenditures for each State agency or local entity budget code.
- (3) Include information on receipts and expenditures from and to all sources, including vendor payments, updated on a monthly basis.

SECTION 7.17.(d) Each State agency, county, city, and local education agency shall work with the State CIO, the State Controller, and the OSBM to ensure that complete and accurate budget and spending information is provided in a timely manner as directed by the State CIO. Each State agency Internet Web site shall include a hyperlink to the State's budget transparency Internet Web site. The LGC shall work with the State CIO to post data on the LGC's Internet Web site in a consistent manner that allows comparisons between the local entities providing data under subdivision (2) of subsection (c) of this section.

SECTION 7.17.(e) There is appropriated from the General Fund to the Office of State Budget and Management the sum of eight hundred fourteen thousand dollars (\$814,000) for the 2015-2016 fiscal year for the purpose of implementing the provisions of this section.

INFORMATION TECHNOLOGY SECURITY/TWO-FACTOR AUTHENTICATION

SECTION 7.19.(a) The State CIO shall develop and implement a plan to provide a standardized, statewide two-factor authentication system. Development of the plan shall be accomplished in coordination with the Criminal Justice Information Network Board of Directors. On or before January 15, 2016, the State CIO shall provide the completed two-factor authentication plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.19.(b) Funding appropriated to the Information Technology Reserve for two-factor authentication, along with any remaining funding from prior appropriations for authentication, shall be used to support implementation of the plan.

DATA SECURITY STUDY

SECTION 7.20. The Joint Legislative Oversight Committee on Information Technology shall study liability issues associated with data security in both the public and private sectors. The Committee shall report its findings and any legislative proposals pertaining to liability issues associated with data security to the General Assembly on or before April 1, 2016. The study shall include all of the following:

- (1) State liability issues.

- (2) State and vendor financial liability for data security breaches.
- (3) Methods of allocating risk for the State's vendors and IT contractors, including, but not limited to, the feasibility of maximum liability limits.
- (4) In consultation with the Department of Insurance, an analysis of the feasibility of developing a surplus line insurance policy and rate schedule for data breach liability coverage.
- (5) Federal government requirements.
- (6) State response to data security threats and breaches.
- (7) Third party liability issues.
- (8) Recommendations for managing data liability for the State.
- (9) Data breach liability allocation best practices in the public and private sectors.

LAW ENFORCEMENT INFORMATION EXCHANGE AND CJLEADS

SECTION 7.21.(a) Funds appropriated in this act for the Law Enforcement Information Exchange shall be allocated to the Criminal Justice Information Network Board of Directors to be used to map the records management systems of law enforcement agencies in the State to allow these agencies to interface with the Law Enforcement Information Exchange.

SECTION 7.21.(b) The Criminal Justice Information Network Board of Directors shall explore the feasibility of sharing data between the Law Enforcement Information Exchange and the Criminal Justice Law Enforcement Automated Data System (CJLEADS).

SECTION 7.21.(c) CJLEADS shall not be moved from the Government Data Analytics Center (GDAC) in the Department of Information Technology, as created by this act.

SECTION 7.21.(d) The Department of Public Safety and the State CIO shall ensure that CJLEADS obtains access to federal criminal information deemed to be essential in managing CJLEADS to support criminal justice professionals in accordance with G.S. 143B-1344(d)(1)a. The Department of Public Safety and the State CIO shall provide a progress report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on or before February 1, 2016, and quarterly thereafter, until the necessary federal criminal information access has been obtained.

ENTERPRISE RESOURCE PLANNING

SECTION 7.22.(a) In coordination with the Office of the State Controller (OSC) and the Office of State Budget and Management (OSBM), the Department of Information Technology (DIT) shall establish a program to plan, develop, and implement an enterprise resource planning (ERP) system for the State, including an investigation of the potential for a cloud-based unified ERP system.

SECTION 7.22.(b) During the 2015-2016 fiscal year, the DIT shall issue a request for information and coordinate demonstrations to determine available options for ERP system development and implementation. During the 2016-2017 fiscal year, subject to the availability of funding, the DIT shall issue requests for proposal to begin the development and implementation of an ERP system.

SECTION 7.22.(c) Beginning January 1, 2016, and quarterly thereafter, the DIT, in conjunction with OSC and OSBM, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the program. The report shall include all of the following:

- (1) A detailed listing of current, completed, and potential future projects.
- (2) The amount of funding identified from restructuring savings since the inception of the program.
- (3) The uses of the identified funding.
- (4) The costs of current, completed, and potential future projects.
- (5) The status of planning and implementation of each project.
- (6) Identification of any issues associated with the program.

STATE BROADBAND PLAN

SECTION 7.23.(a) The State CIO shall develop a State broadband plan that includes:

- (1) Information regarding the availability and functionality of broadband throughout the State and an evaluation of the current deployment of broadband service.
- (2) A strategy to support the affordability of broadband service as well as maximum utilization of broadband infrastructure, including potential partnerships and sources of funding to support the effort.
- (3) Analysis of means, methods, and best practices to establish universal broadband access across the State.

In developing the State broadband plan, the State CIO shall coordinate with other State agencies in order to maximize the effectiveness and efficiency of available resources.

SECTION 7.23.(b) For the 2015-2017 fiscal biennium, by December 1, 2015, and then annually thereafter, the State CIO shall provide a report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the development and implementation of the State broadband plan.

STATE PORTAL/ECONOMIC DEVELOPMENT/BUSINESS WEB SITE PLAN

SECTION 7.24.(a) In coordination with appropriate State agencies, departments, and institutions as part of the State portal planning and development, the State Chief Information Officer (State CIO) shall develop and implement a plan to establish an Internet Web site for businesses operating, or considering operating, within North Carolina, which shall include all of the following:

- (1) The capabilities necessary to complete required business transactions electronically, to include the availability of electronic forms and digital signatures.
- (2) How the State CIO will ensure secure access to any and all information and services required to facilitate the operation of businesses within the State.
- (3) Potential sources of funding to support the development and implementation of the Web site.

SECTION 7.24.(b) On or before March 1, 2016, the State CIO shall provide the completed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. On or before March 1, 2016, and then at least semiannually for the duration of the 2015-2017 fiscal biennium, the State CIO shall provide progress reports regarding the establishment and use of the business Internet Web site to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

AGENCY USE OF ENTERPRISE ACTIVE DIRECTORY

SECTION 7.25. On or before July 1, 2016, unless exempted by the Governor, all State agencies identified as principal departments under G.S. 143B-6 shall become direct members of and shall use the Enterprise Active Directory. A principal department may submit to the State Chief Information Officer a written request to deviate from certain requirements of the Enterprise Active Directory, provided that any deviation shall be consistent with available funding and shall be subject to any terms and conditions specified by the State Chief Information Officer.

STUDY STATE AGENCY USE OF UTILITY-BASED COMPUTING

SECTION 7.26.(a) The Department of Information Technology (Department) shall study the use of and cost savings associated with the adoption of utility-based cloud computing services by State agencies. For the purposes of this section, "utility-based computing" means the process of providing computing service through an on-demand, pay-per-use billing method, metering the offered services. At a minimum, the review conducted by the Department shall:

- (1) Evaluate the actual and potential usefulness of commercial cloud computing services by State agencies and whether expedited transition to cloud computing would offer significant savings to State agencies.
- (2) Evaluate how giving State agencies the ability to purchase information technology (IT) services in a utility-based model would result in savings from paying for only the IT services consumed.
- (3) Identify the capabilities required to implement utility-based computing, storage, and applications, including a rate structure.

- (4) Include a request for information to determine the capabilities and costs of available services.

SECTION 7.26.(b) On or before April 1, 2016, the State Chief Information Officer shall make a written report to the Joint Legislative Oversight Committee on Information Technology on the results of the Department review of utility-based computing.

STATE FUNDED IT CONTRACTS

SECTION 7.27. For all information technology contracts that receive any State funds, State agencies and vendors shall immediately provide copies of contract documents and any subsequent amendments, modifications, or other changes upon request of the Joint Legislative Oversight Committee on Information Technology or the Fiscal Research Division.

PART VII-A. ESTABLISH DEPARTMENT OF INFORMATION TECHNOLOGY

ESTABLISH DEPARTMENT OF INFORMATION TECHNOLOGY

SECTION 7A.1.(a) The Department of Information Technology is established in this Part as a single, unified cabinet-level department that consolidates information technology functions, powers, duties, obligations, and services existing within the principal departments. Notwithstanding G.S. 143B-9 and G.S. 143B-10, and except as otherwise provided in this act, all information technology functions, powers, duties, obligations, and services vested in the State entities listed in G.S. 143B-6 are transferred to, vested in, and consolidated within the Department of Information Technology. The head of the Department of Information Technology is the State Chief Information Officer, who shall be known as the State CIO. The powers and duties of the deputy chief information officers, directors, and divisions of the Department shall be subject to the direction and control of the State CIO. Upon the establishment of the Department of Information Technology, the Governor shall appoint a State CIO in accordance with G.S. 143B-9.

SECTION 7A.1.(b) The following transfers from the Office of Information Technology Services are made to the Department of Information Technology created by this act:

- (1) A Type I transfer, as defined in G.S. 143A-6, of the:
 - a. Office of the State Chief Information Officer.
 - b. Office of Information Technology Services.
- (2) A Type II transfer, as defined in G.S. 143A-6, of the:
 - a. 911 Board.
 - b. Criminal Justice Information Network.
 - c. Government Data Analytics Center.
 - d. North Carolina Geographic Information Coordinating Council and the Center for Geographic Information and Analysis.

SECTION 7A.1.(c) G.S. 143B-2 reads as rewritten:

"§ 143B-2. Interim applicability of the Executive Organization Act of 1973.

The Executive Organization Act of 1973 shall be applicable only to the following named departments:

...
(11) Department of Information Technology."

SECTION 7A.1.(d) G.S. 143B-6 reads as rewritten:

"§ 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 Information Technology."

STATUTORY CHANGES CREATING THE DEPARTMENT OF INFORMATION TECHNOLOGY

SECTION 7A.2.(a) Article 3D of Chapter 147 of the General Statutes is repealed.

SECTION 7A.2.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 14.

"Department of Information Technology.

"Part 1. General Provisions.

"§ 143B-1300. Definitions; scope; exemptions.

- (a) Definitions. – The following definitions apply in this Article:
- (1) CGIA. – Center for Geographic Information and Analysis.
 - (2) CJIN. – Criminal Justice Information Network.
 - (3) Community of practice. – A collaboration of organizations with similar requirements, responsibilities, or interests.
 - (4) Cooperative purchasing agreement. – An agreement between a vendor and one or more states or state agencies providing that the parties may collaboratively or collectively purchase information technology goods and services in order to increase economies of scale and reduce costs.
 - (5) Department. – The Department of Information Technology.
 - (6) Distributed information technology assets. – Hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks, servers, mobile computers, peripheral equipment, and other related hardware and software items.
 - (7) Enterprise solution. – An information technology solution that can be used by multiple agencies.
 - (8) Exempt agencies. – An entity designated as exempt in subsection (b) of this section.
 - (9) GDAC. – Government Data Analytics Center.
 - (10) GICC. – North Carolina Geographic Information Coordinating Council.
 - (11) Information technology or IT. – Set of tools, processes, and methodologies, including, but not limited to, coding and programming; data communications, data conversion, and data analysis; architecture; planning; storage and retrieval; systems analysis and design; systems control; mobile applications; and equipment and services employed to collect, process, and present information to support the operation of an organization. The term also includes office automation, multimedia, telecommunications, and any personnel and support personnel required for planning and operations.
 - (12) Information technology security incident. – A computer-, network-, or paper-based activity that results directly or indirectly in misuse, damage, denial of service, compromise of integrity, or loss of confidentiality of a network, computer, application, or data.
 - (13) Local government entity. – A local political subdivision of the State, including a city, a county, a local school administrative unit as defined in G.S. 115C-5, or a community college.
 - (14) Participating agency. – Any agency that has transferred its information technology personnel, operations, projects, assets, and funding to the Department of Information Technology. The State CIO shall be responsible for providing all required information technology support to participating agencies.
 - (15) Security incident. – A warning or indication of a threat to or breach of information or computer security. The term also includes threats that have already occurred.
 - (16) Separate agency. – Any agency that has maintained responsibility for its information technology personnel, operations, projects, assets, and funding. The agency head shall work with the State CIO to ensure that the agency has all required information technology support.
 - (17) State agency or agency. – Any agency, department, institution, commission, committee, board, division, bureau, office, unit, officer, or official of the State. The term does not include the legislative or judicial branches of government or The University of North Carolina.

- (18) State Chief Information Officer or State CIO. – The head of the Department, who is a Governor's cabinet level officer.
- (19) State CIO approved data center. – A data center designated by the State CIO for State agency use that meets operational standards established by the Department.

(b) Exemptions. – Except as otherwise specifically provided by law, the provisions of this Chapter do not apply to the following entities: the General Assembly, the Judicial Department, and The University of North Carolina and its constituent institutions. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. The election must be made in writing, as follows:

- (1) For the General Assembly, by the Legislative Services Commission.
- (2) For the Judicial Department, by the Chief Justice.
- (3) For The University of North Carolina, by the Board of Governors.
- (4) For the constituent institutions of The University of North Carolina, by the respective boards of trustees.

(c) Deviations. – Any State agency may apply in writing to the State Chief Information Officer for approval to deviate from the provisions of this Chapter. If granted by the State Chief Information Officer, any deviation shall be consistent with available appropriations and shall be subject to such terms and conditions as may be specified by the State CIO.

(d) Review. – Notwithstanding subsection (b) of this section, any State agency shall review and evaluate any deviation authorized and shall, in consultation with the Department of Information Technology, adopt a plan to phase out any deviations that the State CIO determines to be unnecessary in carrying out functions and responsibilities unique to the agency having a deviation. The plan adopted by the agency shall include a strategy to coordinate its general information processing functions with the Department of Information Technology in the manner prescribed by this act and provide for its compliance with policies, procedures, and guidelines adopted by the Department of Information Technology. Any agency receiving a deviation shall submit its plan to the Office of State Budget and Management as directed by the State Chief Information Officer.

"§ 143B-1301. Powers and duties of the Department; cost-sharing with exempt entities.

- (a) The Department shall have the following powers and duties:
 - (1) Provide information technology support and services to State agencies.
 - (2) Provide such information technology support to local government entities and others, as may be required.
 - (3) Establish and document the strategic direction of information technology in the State.
 - (4) Assist State agencies in meeting their business objectives.
 - (5) Plan and coordinate information technology efforts with State agencies, nonprofits, and private organizations, as required.
 - (6) Establish a consistent process for planning, maintaining, and acquiring the State's information technology resources. This includes responsibility for developing and administering a comprehensive long-range plan to ensure the proper management of the State's information technology resources.
 - (7) Develop standards and accountability measures for information technology projects, including criteria for effective project management.
 - (8) Set technical standards for information technology, review and approve information technology projects and budgets, establish and enforce information technology security standards, establish and enforce standards for the procurement of information technology resources, and develop a schedule for the replacement or modification of information technology systems.
 - (9) Implement enterprise procurement processes and develop metrics to support this process.
 - (10) Manage the information technology funding for State agencies, to include the Information Technology Fund for statewide information technology efforts and the Information Technology Internal Service Fund for agency support functions.

- (11) Support, maintain, and develop metrics for the State's technology infrastructure and facilitate State agencies' delivery of services to citizens.
- (12) Operate as the State enterprise organization for information technology governance.
- (13) Advance the State's technology and data management capabilities.
- (14) Prepare and present the Department's budget in accordance with Chapter 143C of the General Statutes, the State Budget Act.
- (15) Obtain, review, and maintain, on an ongoing basis, records of the appropriations, allotments, expenditures, revenues, grants, and federal funds for each State agency for information technology.
- (16) Adopt rules for the administration of the Department and implementing this Article, pursuant to the Administrative Procedure Act, Chapter 150B of the General Statutes.
- (17) Require reports by State agencies, departments, and institutions about information technology assets, systems, personnel, and projects and prescribing the form of such reports.
- (18) Prescribe the manner in which information technology assets, systems, and personnel shall be provided and distributed among agencies, to include changing the distribution when the State CIO determines that is necessary.
- (19) Prescribe the manner of inspecting or testing information technology assets, systems, or personnel to determine compliance with information technology plans, specifications, and requirements.
- (20) Submit all rates and fees for common, shared, and State government-wide technology services provided by the Department to the Office of State Budget and Management for approval.
- (21) Establish and operate, or delegate operations of, centers of expertise (COE) for specific information technologies and services to serve two or more agencies on a cost-sharing basis, if the State CIO, after consultation with the Office of State Budget and Management, decides it is advisable from the standpoint of efficiency and economy to establish these centers and services.
- (22) Identify and develop projects to facilitate the consolidation of information technology equipment, support, and projects.
- (23) Identify an agency to serve as the lead (COE) for an enterprise effort, when appropriate.
- (24) Require any State agency served to transfer to the Department or COE ownership, custody, or control of information-processing equipment, software, supplies, positions, and support required by the shared centers and services.
- (25) Charge each State agency for which services are performed its proportionate part of the cost of maintaining and operating the shared centers and services, subject to approval by the Office of State Budget and Management.
- (26) Develop performance standards for shared services in coordination with supported State agencies and publish performance reports on the Department Web site.
- (27) Adopt plans, policies, and procedures for the acquisition, management, and use of information technology resources in State agencies to facilitate more efficient and economic use of information technology in the agencies.
- (28) Develop and manage career progressions and training programs to efficiently implement, use, and manage information technology resources throughout State government.
- (29) Provide local government entities with access to the Department's services as authorized in this section for State agencies. Access shall be provided on the same cost basis that applies to State agencies.
- (30) Support the operation of the CGIA, GICC, GDAC, CJIN, and 911 Board.
- (31) Support the operation of the Longitudinal Data Systems Board, as appropriate.
- (32) Provide geographic information systems services through the Center for Geographic Information and Analysis on a cost recovery basis. The Department and the Center for Geographic Information and Analysis may

contract for funding from federal or other sources to conduct or provide geographic information systems services for public purposes.

(33) Support the development, implementation, and operation of an Education Community of Practice.

(b) Cost-Sharing with Other Branches. – Notwithstanding any other provision of law to the contrary, the Department shall provide information technology services on a cost-sharing basis to exempt agencies, upon request.

"§ 143B-1302. State CIO duties; Departmental personnel and administration.

(a) State CIO. – The State Chief Information Officer (State CIO) is the head of the Department and a member of the Governor's cabinet. The State CIO is appointed by and serves at the pleasure of the Governor. The State CIO shall be qualified by education and experience for the office. The salary of the State CIO shall be set by the Governor. The State CIO shall receive longevity pay on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act.

(b) Departmental Personnel. – The State CIO may appoint one or more deputy State CIOs, each of whom shall be under the direct supervision of the State CIO. The salaries of the deputy State CIOs shall be set by the State CIO. The State CIO and the Deputy State CIOs are exempt from the North Carolina Human Resources Act. Subject to the approval of the Governor and limitations of the G.S. 126-5, the State CIO may appoint or designate additional managerial and policy making positions, including, but not limited to, the Department's chief financial officer and general counsel, each of whom shall be exempt from the North Carolina Human Resources Act.

(c) Administration. – The Department shall be managed under the administration of the State CIO. The State CIO shall have the following powers and duty to do all of the following:

- (1) Ensure that executive branch agencies receive all required information technology support in an efficient and timely manner.
- (2) Ensure that such information technology support is provided to local government entities and others, as appropriate.
- (3) Approve the selection of the respective agency chief information officers.
- (4) As required, plan and coordinate information technology efforts with State agencies, nonprofits, and private organizations.
- (5) Ensure the security of State information technology systems and networks, as well as associated data, developing standardized systems and processes.
- (6) Prepare and present the Department's budget in accordance with Chapter 143C of the General Statutes, the State Budget Act.
- (7) Establish rates for all goods and services provided by the Department within required schedules.
- (8) Identify and work to consolidate duplicate information technology capabilities.
- (9) Identify and develop plans to increase State data center efficiencies, consolidating assets in State-managed data centers.
- (10) Plan for and manage State network development and operations.
- (11) Centrally classify, categorize, manage, and protect the State's data.
- (12) Obtain, review, and maintain, on an ongoing basis, records of the appropriations, allotments, expenditures, and revenues of each State agency for information technology.
- (13) Be responsible for developing and administering a comprehensive long-range plan to ensure the proper management of the State's information technology resources.
- (14) Set technical standards for information technology, review and approve information technology projects and budgets, establish information technology security standards, provide for the procurement of information technology resources, and develop a schedule for the replacement or modification of information technology systems.
- (15) Require reports by State departments, institutions, or agencies of information technology assets, systems, personnel, and projects; prescribe the form of such reports; and verify the information when the State CIO determines verification is necessary.

- (16) Prescribe the manner in which information technology assets, systems, and personnel shall be provided and distributed among agencies.
- (17) Establish and maintain a program to provide career management for information technology professionals.
- (18) Prescribe the manner of inspecting or testing information technology assets, systems, or personnel to determine compliance with information technology plans, specifications, and requirements.
- (19) Supervise and support the operations of the CGIA, GICC, GDAC, CJIN, and 911 Board.
- (20) Oversee and coordinate an Education Community of Practice.
- (21) Support the operation of the Longitudinal Data Systems Board, as appropriate.

(c) Budgetary Matters. – The Department's budget shall incorporate information technology costs and anticipated expenditures of State agencies identified as participating agencies, together with all divisions, boards, commissions, or other State entities for which the principal departments have budgetary authority.

(d) State Ethics Act. – All employees of the Department shall be subject to the provisions of the State Government Ethics Act under Chapter 138A of the General Statutes.

"§ 143B-1303. Departmental organization; divisions and units; education community of practice.

(a) Organization. – The Department shall be organized by the State CIO into divisions and units that support its duties.

(b) Education Community of Practice. – There is established an Education Community of Practice to promote collaboration and create efficiencies between and among The University of North Carolina and its constituent institutions, the North Carolina Community Colleges System Office, the constituent institutions of the Community College System, the Department of Public Instruction, and local school administrative units.

(c) Other Units. – Other units of the Department include the following:

- (1) Center for Geographic Information and Analysis.
- (2) Criminal Justice Information Network.
- (3) Government Data Analytics Center.
- (4) North Carolina 911 Board.
- (5) North Carolina Geographic Information Coordinating Council.

"§ 143B-1304. State agency information technology management; deviations for State agencies.

Each State agency shall have tools and applications specific to their respective functions in order to effectively and efficiently carry out the business of the State with respect to all of the following:

- (1) Administrative support.
- (2) Facilities management.
- (3) Internal auditing.
- (4) Boards administration.
- (5) Departmental policies and procedures.

"§ 143B-1305. Transition to Department of Information Technology.

(a) Transition Period. – During the 2015-2016 fiscal year, the State CIO shall work with appropriate State agencies to develop a State business plan. The State CIO shall develop documentation to support the consolidation of enterprise information technology functions within the executive branch to include the following:

- (1) Information technology architecture.
- (2) Updated State information technology strategic plan that reflects State and agency business plans and the State information technology architecture.
- (3) Information technology funding process to include standardized, transparent rates that reflect market costs for information technology requirements.
- (4) Information technology personnel management.
- (5) Information technology project management.
- (6) Information technology procurement.
- (7) Hardware configuration and management.
- (8) Software acquisition and management.
- (9) Data center operations.

(10) Network operations.

(11) System and data security, including disaster recovery.

(b) Phased Transitions. – The State CIO shall develop detailed plans for the phased transition of participating agencies to the Department, as well as a plan that defines in detail how information technology support shall be provided to agencies that are not participating agencies. These plans shall be coordinated, in writing, with each agency and shall address any issues unique to a specific agency.

(c) Participating Agencies. – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:

(1) Department of Cultural Resources.

(2) Department of Health and Human Services.

(3) Department of Revenue.

(4) Department of Environment and Natural Resources.

(5) Department of Transportation.

(6) Department of Administration.

(7) Department of Commerce.

(8) Governor's Office.

(9) Office of State Budget and Management.

(10) Office of State Human Resources.

(11) Office of the State Controller.

The State CIO shall ensure that agencies' operations are not adversely impacted during the transition.

(d) Report on Transition Planning. – The Department of Public Safety, the Community College System Office, and the State Board of Elections shall work with the State CIO to plan their transition to the Department. By October 1, 2018, these agencies, in conjunction with the State CIO, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on their respective transition plans.

(e) Separate agencies may transition their information technology to the Department following completion of a transition plan.

"Part 2. Information Technology Planning, Funding, and Reporting.

"§ 143B-1306. Planning and financing State information technology resources.

(a) The State CIO shall develop policies for agency information technology planning and financing. Agencies shall prepare and submit such plans as required in this section, as follows:

(1) The Department shall analyze the State's legacy information technology systems and develop a plan to document the needs and costs for replacement systems, as well as determining and documenting the time frame during which State agencies can continue to efficiently use legacy information technology systems, resources, security, and data management to support their operations. The plan shall include an inventory of legacy applications and infrastructure, required capabilities not available with the legacy system, the process, time line, and cost to migrate from legacy environments, and any other information necessary for fiscal or technology planning. The State CIO shall have the authority to prioritize the upgrade and replacement of legacy systems. Agencies shall provide all requested documentation to validate reporting on legacy systems and shall make the systems available for inspection by the Department.

(2) The State CIO shall develop a biennial State Information Technology Plan (Plan).

(3) The State CIO shall develop one or more strategic plans for information technology. The State CIO shall determine whether strategic plans are needed for any agency and shall consider an agency's operational needs, functions, and capabilities when making such determinations.

(b) Based on requirements identified during the strategic planning process, the Department shall develop and transmit to the General Assembly the biennial State Information Technology Plan in conjunction with the Governor's budget of each regular session. The Plan shall include the following elements:

- (1) Anticipated requirements for information technology support over the next five years.
- (2) An inventory of current information technology assets and major projects. As used in this subdivision, the term "major project" includes projects costing more than five hundred thousand dollars (\$500,000) to implement.
- (3) Significant unmet needs for information technology resources over a five-year time period. The Plan shall rank the unmet needs in priority order according to their urgency.
- (4) A statement of the financial requirements, together with a recommended funding schedule and funding sources for major projects and other requirements in progress or anticipated to be required during the upcoming fiscal biennium.
- (5) An analysis of opportunities for statewide initiatives that would yield significant efficiencies or improve effectiveness in State programs.
- (6) As part of the plan, the State CIO shall develop and periodically update a long-range State Information Technology Plan that forecasts, at a minimum, the needs of State agencies for the next 10 years.

(c) Each participating agency shall actively participate in preparing, testing, and implementing an information technology plan required under subsection (b) of this section. Separate agencies shall prepare biennial information technology plans, including the requirements listed in subsection (b) of this section, and transmit these plans to the Department by a date determined by the State CIO in each even-numbered year. Agencies shall provide all financial information to the State CIO necessary to determine full costs and expenditures for information technology assets and resources provided by the agencies or through contracts or grants. The Department shall consult with and assist State agencies in the preparation of these plans; shall provide appropriate personnel or other resources to the participating agencies and to separate agencies upon request pursuant to Part 3, Shared Information Technology Services, of this Article. Plans shall be submitted to the Department by a date determined by the State CIO in each even-numbered year.

"§ 143B-1307. Business continuity planning.

The State CIO shall oversee the manner and means by which information technology business and disaster recovery plans for the State agencies are created, reviewed, and updated. Each State agency shall establish a disaster recovery planning team to work with the Department, or other resources designated by the State CIO, to develop the disaster recovery plan and to administer implementation of the plan. In developing the plan, all of the following shall be completed:

- (1) Consider the organizational, managerial, and technical environments in which the disaster recovery plan must be implemented.
- (2) Assess the types and likely parameters of disasters most likely to occur and the resultant impacts on the agency's ability to perform its mission.
- (3) List protective measures to be implemented in anticipation of a natural or man-made disaster.
- (4) Determine whether the plan is adequate to address information technology security incidents.

Each State agency shall submit its disaster recovery plan to the State CIO on an annual basis and as otherwise requested by the State CIO.

"§ 143B-1308. Information Technology Fund.

There is established a special revenue fund to be known as the Information Technology Fund, which may receive transfers or other credits as authorized by the General Assembly. Money may be appropriated from the Information Technology Fund to support the operation and administration that meet statewide requirements, including planning, project management, security, electronic mail, State portal operations, early adoption of enterprise efforts, and the administration of systemwide procurement procedures. Funding for participating agency information technology projects shall be appropriated to the Information Technology Fund and may be reallocated by the State CIO, if appropriate, following coordination with the impacted agencies and written approval by the Office of State Budget and Management. Any redirection of agency funds shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division with a detailed explanation of the reasons for the redirection. Expenditures involving funds appropriated to the Department from

the Information Technology Fund shall be made by the State CIO. Interest earnings on the Information Technology Fund balance shall be credited to the Information Technology Fund.

"§ 143B-1309. Internal Service Fund.

(a) The Internal Service Fund is established within the Department as a fund to provide goods and services to State agencies on a cost-recovery basis. The Department shall establish fees for subscriptions and chargebacks for consumption-based services. The Information Technology Strategic Sourcing Office shall be funded through a combination of administrative fees as part of the IT Supplemental Staffing contract, as well as fees charged to agencies using their services. The State CIO shall establish and annually update consistent, fully transparent, easily understandable fees and rates that reflect industry standards for any good or service for which an agency is charged. These fees and rates shall be prepared by October 1 and shall be approved by the Office of State Budget and Management. The Office of State Budget and Management shall ensure that State agencies have the opportunity to adjust their budgets based on any rate or fee changes prior to submission of those budget recommendations to the General Assembly. The approved Information Technology Internal Service Fund budget and associated rates shall be included in the Governor's budget recommendations to the General Assembly.

(b) Receipts shall be used solely for the purpose for which they were collected. Any uses of the Information Technology Internal Service Fund not specifically related to providing receipt-supported services to State agencies shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(c) In coordination with the Office of the State Controller and the Office of State Budget Management, the State CIO shall ensure processes are established to manage federal receipts, maximize those receipts, and ensure that federal receipts are correctly utilized. By September 1 of each year, the State CIO shall certify that federal receipts for participating agency information technology programs have been properly used during the previous State fiscal year.

"§ 143B-1310. Information technology reporting.

The State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division regarding the Information Technology Fund, the Internal Service Fund, and Information Technology Reserve Fund on a quarterly basis, no later than the first day of the second month following the end of the quarter. The report shall include current cash balances, line-item detail on expenditures from the previous quarter, and anticipated expenditures and revenues over the next year, by quarter. The State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on expenditures for the upcoming quarter, projected year-end balance, and the status report on personnel position changes, including new positions created and existing positions eliminated. Spending reports shall comply with the State Accounting System object codes.

"§ 143B-1311. Financial reporting and accountability for information technology investments and expenditures.

The Department, along with the Office of State Budget and Management and the Office of the State Controller, shall develop processes for budgeting and accounting of expenditures for information technology operations, services, projects, infrastructure, and assets for State agencies, notwithstanding any exemptions or deviations permitted pursuant to G.S. 143B-1300(b) or (c). The budgeting and accounting processes may include hardware, software, personnel, training, contractual services, and other items relevant to information technology and the sources of funding for each. Annual reports regarding information technology shall be coordinated by the Department with the Office of State Budget and Management and the Office of the State Controller and submitted to the Governor and the General Assembly on or before October 1 of each year.

The State CIO shall not enter into any information technology contracts requiring agency financial participation without obtaining written agreement from participating agencies regarding apportionment of the contract costs.

The State CIO shall review the information technology budgets for participating agencies and shall recommend appropriate adjustments to support requirements identified by the State CIO.

"§ 143B-1312. Information technology human resources.

(a) The State CIO may appoint all employees of the Department necessary to carry out the powers and duties of the Department. All employees of the Department are under the

supervision, direction, and control of the State CIO, who may assign any function vested in his or her office to any subordinate employee of the Department.

(b) The State CIO shall establish a detailed, standardized, systemic plan for the transition of participating agency personnel to the new organization. This shall include the following:

- (1) Documentation of current information technology personnel requirements.
- (2) An inventory of current agency information technology personnel and their skills.
- (3) Analysis and documentation of the gaps between current personnel and identified requirements.
- (4) An explanation of how the Department plans to fill identified gaps.
- (5) The Department's plan to eliminate positions no longer required.
- (6) The Department's plan for employees whose skills are no longer required.

For each person to be transferred, the State CIO shall identify a designated position with a job description, determine the cost for the position, identify funding sources, and establish a standardized rate.

(c) Participating agency information technology personnel performing information technology functions shall be moved to the Department. The State CIO shall consolidate participating agency information technology personnel following the time line established in this Article once a detailed plan has been developed for transitioning the personnel to the new agency.

(d) The State CIO 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 CIO shall establish a career path that includes defined qualifications, career progression, training requirements, and appropriate compensation. These career paths shall be documented by February 1, 2016, and shall be provided to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by February 1, 2016, but may be submitted incrementally to meet Department requirements. The career paths shall be updated on an annual basis.

(e) Any new positions established by the Department shall be exempt from the North Carolina Human Resources Act.

(f) The State CIO may, subject to the provisions of G.S. 147-64.7(b)(2), obtain the services of independent public accountants, qualified management consultants, and other professional persons or experts to carry out the powers and duties of this Article if the Department does not have any personnel qualified to perform the function for which the professionals would be engaged and if the requirement has been included in the Department's budget for the year in which the services are required.

(g) Criminal Records Checks. – The State CIO shall require background investigations of any employee or prospective employee, including a criminal history record check, which may include a search of the State and National Repositories of Criminal Histories based on the person's fingerprints. A criminal history record check shall be conducted by the State Bureau of Investigation upon receiving fingerprints and other information provided by the employee or prospective employee. If the employee or prospective employee has been a resident of the State for less than five years, the background report shall include a review of criminal information from both the State and National Repositories of Criminal Histories. The criminal background report shall be provided to the State CIO and is not a public record under Chapter 132 of the General Statutes.

"Part 3. Information Technology Projects and Management.

"§ 143B-1318. Project management.

(a) Overall Management. – All information technology projects shall be managed through a standardized, fully documented process established and overseen by the State CIO. The State CIO 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. For separate agency projects, the State CIO shall ensure that projects follow the Department's established process and shall monitor schedule, budget, and adherence to business requirements. For all projects, the State CIO shall establish procedures to limit 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 January 1, 2016.

The State CIO 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 CIO shall immediately report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the reasons for the new requirement, the costs, and the sources of funding.

An agency that utilizes the system or software shall be designated as the sponsor for the information technology project or program and shall be responsible for overseeing the planning, development, implementation, and operation of the project or program. The Department and the assigned project managers shall advise and assist the designated agency for the duration of the project.

(b) Project Review and Approval. – The State CIO shall review, approve, and monitor all information technology projects for State agencies and shall be responsible for the efficient and timely management of all information technology projects for participating agencies. Project approval may be granted upon the State CIO's determination that (i) the project conforms to project management procedures and policies, (ii) the project does not duplicate a capability already existing in the State, (iii) the project conforms to procurement rules and policies, and (iv) sufficient funds are available.

(c) Project Implementation. – No State agency, unless expressly exempt within this Article, shall proceed with an information technology project until the State CIO approves the project. If a project is not approved, the State CIO shall specify in writing to the agency the grounds for denying the approval. The State CIO shall provide this information to the agency and the Office of State Budget and Management within five business days of the denial.

(d) Suspension of Approval/Cancellation of Projects. – The State CIO may suspend the approval of, or cancel, any information technology project that does not continue to meet the applicable quality assurance standards. The State CIO shall immediately suspend approval of, or cancel, any information technology project that is initiated without State CIO approval. Any project suspended or cancelled because of lack of State CIO approval cannot proceed until it completes all required project management documentation and meets criteria established by the State CIO for project approval, to include a statement from the State CIO that the project does not duplicate capabilities that already exist within the executive branch. If the State CIO suspends or cancels a project, the State CIO shall specify in writing to the agency the grounds for suspending or cancelling the approval. The State CIO shall provide this information to the agency within five business days of the suspension.

The Department shall report any suspension or cancellation immediately to the Office of the State Controller, the Office of State Budget and Management, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The Office of State Budget and Management shall not allow any additional expenditure of funds for a project that is no longer approved by the State CIO.

(e) General Quality Assurance. – Information technology projects authorized in accordance with this Article shall meet all project standards and requirements established under this Part.

(f) Performance Contracting. – All contracts between the State and a private party for information technology projects shall include provisions for vendor performance review and accountability, contract suspension or termination, and termination of funding. The State CIO may require that these contract provisions include a performance bond, monetary penalties, or require other performance assurance measures for projects that are not completed within the specified time period or that involve costs in excess of those specified in the contract. The State CIO may utilize cost savings realized on government vendor partnerships as performance incentives for an information technology vendor.

(g) Notwithstanding the provisions of G.S. 114-2.3, any State agency developing and implementing an information technology project with a total cost of ownership in excess of five million dollars (\$5,000,000) may be required by the State CIO to engage the services of private counsel or subject matter experts with the appropriate information technology expertise. The private counsel or subject matter expert may review requests for proposals; review and provide advice and assistance during the evaluation of proposals and selection of any vendors; and review and negotiate contracts associated with the development, implementation, operation, and maintenance of the project. This requirement may also apply to information technology

programs that are separated into individual projects if the total cost of ownership for the overall program exceeds five million dollars (\$5,000,000).

"§ 143B-1319. Project management standards.

(a) The State CIO shall establish standardized documentation requirements for agency projects to include requests for proposal and contracts. The State CIO shall establish standards for project managers and project management assistants. The State CIO shall develop performance measures for project reporting and shall make this reporting available through a publicly accessible Web site.

(b) Participating Agency Responsibilities. – The State CIO shall designate a Project Manager who shall select qualified personnel from the Department staff to participate in information technology project management, implementation, testing, and other activities for any information technology project. The Project Manager shall provide periodic reports to the project management assistant assigned to the project by the State CIO under subsection (d) of this section. The reports shall include information regarding the agency's business requirements, applicable laws and regulations, project costs, issues related to hardware, software, or training, projected and actual completion dates, and any other information related to the implementation of the information technology project.

(c) Separate Agency Responsibilities. – Each agency shall provide for one or more project managers who meet the applicable quality assurance standards for each information technology project that is subject to approval by the State CIO. Each project manager shall be subject to the review and approval of the State CIO. Each agency project manager shall provide periodic reports to the project management assistant assigned to the project by the State CIO under this subsection. The reports shall include information regarding project costs; issues related to hardware, software, or training; projected and actual completion dates; and any other information related to the implementation of the information technology project.

(d) State CIO Responsibilities. – The State CIO shall provide a project management assistant from the Department for any approved separate agency project, whether the project is undertaken in single or multiple phases or components. The State CIO may designate a project management assistant for any other information technology project.

The project management assistant shall advise the agency with the initial planning of a project, the content and design of any request for proposals, contract development, procurement, and architectural and other technical reviews. The project management assistant shall also monitor progress in the development and implementation of the project and shall provide status reports to the agency and the State CIO, including recommendations regarding continued approval of the project.

The State CIO shall establish a clearly defined, standardized process for project management that includes time lines for completion of process requirements for both the Department and agencies. The State CIO shall also establish reporting requirements for information technology projects, both during the planning, development, and implementation process and following completion of the project. The State CIO shall continue to monitor system performance and financial aspects of each project after implementation. The State CIO shall also monitor any certification process required for State information technology projects and shall immediately report any issues associated with certification processes to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

"§ 143B-1320. Dispute resolution.

(a) Agency Request for Review. – In any instance where the State CIO has denied or suspended the approval of an information technology project, has cancelled the project, or has denied an agency's request for deviation, the affected State agency may request that the Governor review the State CIO's decision. The agency shall submit a written request for review to the Governor within 15 business days following the agency's receipt of the State CIO's written grounds for denial, suspension, or cancellation. The agency's request for review shall specify the grounds for its disagreement with the State CIO's determination. The agency shall include with its request for review a copy of the State CIO's written grounds for denial or suspension.

(b) Review Process. – The Governor shall review the information provided and may request additional information from either the agency or the State CIO. The Governor may affirm, reverse, or modify the decision of the State CIO or may remand the matter back to the State CIO for additional findings. Within 30 days after initial receipt of the agency's request for

review, the Governor shall notify the agency and the State CIO of the decision in the matter. The notification shall be in writing and shall specify the grounds for the Governor's decision.

The Governor may reverse or modify a decision of the State CIO when the Governor finds the decision of the State CIO is unsupported by substantial evidence that the agency project fails to meet one or more standards of efficiency and quality of State government information technology as required under this Article.

"§ 143B-1321. Standardization.

The State CIO shall establish consistent standards for the purchase of agency hardware and software that reflect identified, documented agency needs.

"§ 143B-1322. Legacy applications.

Participating agency legacy applications shall be moved to the Department once a detailed plan is coordinated and in place for the successful transition of a specific application to the Department. The Department shall identify situations where multiple agencies are using legacy systems with similar capabilities and shall prepare plans to consolidate these systems. Initial identification of similar capabilities shall be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016. The initial report shall include a schedule for the consolidation. The report shall also include the costs for operating and maintaining the current systems, the estimated costs for an enterprise replacement system, and the operations and maintenance costs associated with an enterprise system.

"Part 4. Information Technology Procurement.

"§ 143B-1323. Procurement of information technology.

(a) The State CIO is responsible for establishing policies and procedures for information technology procurement for State agencies.

Notwithstanding any other provision of law, the Department shall procure all information technology goods and services for participating agencies and shall approve information technology procurements for separate agencies. The State CIO may cancel or suspend any agency information technology procurement that occurs without State CIO approval.

(b) The Department shall review all procurements to ensure they meet current technology standards, are not duplicative, meet business objectives, are cost-effective, and are adequately funded. G.S. 143-135.9 shall apply to information technology procurements.

(c) The Department shall, subject to the provisions of this Part, do all of the following with respect to State information technology procurement:

- (1) Purchase or contract for all information technology for participating State agencies.
- (2) Approve all technology purchases for separate agencies.
- (3) Establish standardized, consistent processes, specifications, and standards that shall apply to all information technology to be purchased, licensed, or leased by State agencies and relating to information technology personal services contract requirements for State agencies, including, but not limited to, requiring convenience contracts to be rebid prior to termination without extensions.
- (4) Establish procedures to permit State agencies and local government entities to use the General Services Administration (GSA) Cooperative Purchasing Program to purchase information technology (i) awarded under GSA Supply Schedule 70 Information Technology and (ii) from contracts under the GSA's Consolidated Schedule containing information technology special item numbers.
- (5) Establish procedures to permit State agencies and local government entities to use other cooperative purchasing agreements.
- (6) Comply with the State government-wide technical architecture, as required by the State CIO.
- (7) Utilize the purchasing benchmarks established by the Secretary of Administration pursuant to G.S. 143-53.1.
- (8) Provide strategic sourcing resources and detailed, documented planning to compile and consolidate all estimates of information technology goods and services needed and required by State agencies.
- (9) Develop a process to provide a question and answer period for vendors prior to procurements.

(d) Each State agency, separate agency, and participating agency shall furnish to the State CIO when requested, and on forms as prescribed, estimates of and budgets for all information technology goods and services needed and required by such department, institution, or agency for such periods in advance as may be designated by the State CIO. When requested, all State agencies shall provide to the State CIO on forms as prescribed, actual expenditures for all goods and services needed and required by the department, institution, or agency for such periods after the expenditures have been made as may be designated by the State CIO.

(e) Confidentiality. – Contract information compiled by the Department shall be made a matter of public record after the award of contract. Trade secrets, test data, similar proprietary information, and security information protected under G.S. 132-6.1(c) or other law shall remain confidential.

(f) Electronic Procurement. – The State CIO may authorize the use of the electronic procurement system established by G.S. 143-48.3, or other systems, to conduct reverse auctions and electronic bidding. For purposes of this Part, "reverse auction" means a real-time purchasing process in which vendors compete to provide goods or services at the lowest selling price in an open and interactive electronic environment. The vendor's price may be revealed during the reverse auction. The Department may contract with a third-party vendor to conduct the reverse auction. "Electronic bidding" means the electronic solicitation and receipt of offers to contract. Offers may be accepted and contracts may be entered by use of electronic bidding. All requirements relating to formal and competitive bids, including advertisement, seal, and signature, are satisfied when a procurement is conducted or a contract is entered in compliance with the reverse auction or electronic bidding requirements established by the Department.

(g) Bulk Purchasing. – The State CIO shall establish efficient, responsive procedures for the procurement of information technology. The procedures may include aggregation of hardware purchases, the use of formal bid procedures, restrictions on supplemental staffing, enterprise software licensing, hosting, and multiyear maintenance agreements. The State CIO may require agencies to submit information technology procurement requests on a regularly occurring schedule each fiscal year in order to allow for bulk purchasing.

(h) All offers to contract, whether through competitive bidding or other procurement method, shall be subject to evaluation and selection by acceptance of the most advantageous offer to the State. Evaluation shall include best value, as the term is defined in G.S. 143-135.9(a)(1), compliance with information technology project management policies, compliance with information technology security standards and policies, substantial conformity with the specifications, and other conditions set forth in the solicitation.

(i) Exceptions. – In addition to permitted waivers of competition, the requirements of competitive bidding shall not apply to information technology contracts and procurements:

(1) In cases of pressing need or emergency arising from a security incident.

(2) In the use of master licensing or purchasing agreements governing the Department's acquisition of proprietary intellectual property.

Any exceptions shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(j) Information Technology Innovation Center. – The Department may operate a State Information Technology Innovation Center (iCenter) to develop and demonstrate technology solutions with potential benefit to the State and its citizens. The iCenter may facilitate the piloting of potential solutions to State technology requirements. In operating the iCenter, the State CIO shall ensure that all State laws, rules, and policies are followed.

Vendor participation in the iCenter shall not be construed to (i) create any type of preferred status for vendors or (ii) abrogate the requirement that agency and statewide requirements for information technology support, including those of the Department, are awarded based on a competitive process that follows information technology procurement guidelines.

§ 143B-1324. Restriction on State agency contractual authority with regard to information technology.

(a) All State agencies covered by this Article shall use contracts for information technology to include enterprise licensing agreements and convenience contracts established by the Department. The State CIO shall consult the agency heads prior to the initiation of any enterprise project or contract. Notwithstanding any other statute, the authority of State agencies to procure or obtain information technology shall be subject to compliance with the provisions of this Part.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Department.

(c) Any other State entities exempt from Part 3 or Part 5 of this Article may also use the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department.

"§ 143B-1325. Unauthorized use of public purchase or contract procedures for private benefit prohibited.

(a) It is unlawful for any person, by the use of the powers, policies, or procedures described in this Part or established hereunder, to purchase, attempt to purchase, procure, or attempt to procure any property or services for private use or benefit.

(b) This prohibition shall not apply if:

(1) The State agency through which the property or services are procured had theretofore established policies and procedures permitting such purchases or procurement by a class or classes of persons in order to provide for the mutual benefit of such persons and the department, institution, or agency involved or the public benefit or convenience; and

(2) Such policies and procedures, including any reimbursement policies, are complied with by the person permitted thereunder to use the purchasing or procurement procedures described in this Part or established thereunder.

(c) Any violation of this section is a Class 1 misdemeanor.

(d) Any employee or official of the State who violates this Part shall be liable to the State to repay any amount expended in violation of this Part, together with any court costs.

"§ 143B-1326. Financial interest of officers in sources of supply; acceptance of bribes.

Neither the State CIO, any deputy State CIO, or any other policy-making or managerially exempt personnel shall be financially interested, or have any personal beneficial interest, either directly or indirectly, in the purchase of, or contract for, any information technology, nor in any firm, corporation, partnership, or association furnishing any information technology to the State government or any of its departments, institutions, or agencies, nor shall any of these persons or any other Department employee accept or receive, directly or indirectly, from any person, firm, or corporation to whom any contract may be awarded, by rebate, gifts, or otherwise, any money or anything of value whatsoever, or any promise, obligation, or contract for future reward or compensation. Violation of this section is a Class F felony, and any person found guilty of a violation of this section shall, upon conviction, be removed from State office or employment.

"§ 143B-1327. Certification that information technology bid submitted without collusion.

The State CIO shall require bidders to certify that each bid on information technology contracts overseen by the Department is submitted competitively and without collusion. False certification is a Class I felony.

"§ 143B-1328. Award review.

(a) When the dollar value of a contract for the procurement of information technology equipment, materials, and supplies exceeds the benchmark established by subdivision (1) of subsection (c) of this section, an award recommendation shall be submitted to the State CIO for approval or other action. The State CIO shall promptly notify the agency or institution making the recommendation, or for which the purchase is to be made, of the action taken.

(b) Prior to submission for review pursuant to this section for any contract for information technology being acquired for the benefit of an agency authorized to deviate from this Article pursuant to G.S. 143B-1300(c), the State CIO shall review and approve the procurement to ensure compliance with the established processes, specifications, and standards applicable to all information technology purchased, licensed, or leased in State government, including established procurement processes, and compliance with the State government-wide technical architecture and standards established by the State CIO.

(c) The State CIO shall provide a report of all contract awards approved through the Statewide Procurement Office as indicated below. The report shall include the amount of the award, the contract term, the award recipient, the using agency, and a short description of the nature of the award, as follows:

- (1) For contract awards greater than twenty-five thousand dollars (\$25,000), to the cochairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on a monthly basis.
- (2) For all contract awards outside the established purchasing system, to the Department of Administration, Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on a quarterly basis.

"§ 143B-1329. Multiyear contracts; Attorney General assistance.

(a) Notwithstanding the cash management provisions of G.S. 147-86.11, the Department may procure information technology goods and services for periods up to a total of three years where the terms of the procurement contracts require payment of all or a portion of the contract price at the beginning of the contract agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

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

The Office of State Budget and Management shall ensure the savings from any authorized agreement shall be included in the IT Internal Service Fund rate calculations before approving annual proposed rates. Any savings resulting from the agreements shall be returned to agencies included in the contract in the form of reduced rates.

(b) At the request of the State CIO, the Attorney General shall provide legal advice and services necessary to implement this Article.

"§ 143B-1330. Purchase of certain computer equipment and televisions by State agencies and governmental entities prohibited.

(a) No State agency, local political subdivision of the State, or other public body shall purchase computer equipment or televisions, as defined in G.S. 130A-309.131, or enter into a contract with any manufacturer that the State CIO determines is not in compliance with the requirements of G.S. 130A-309.134 or G.S. 130A-309.135 as determined from the list provided by the Department of Environment and Natural Resources pursuant to G.S. 130A-309.138. The State CIO shall issue written findings upon a determination of noncompliance. A determination of noncompliance by the State CIO is reviewable under Article 3 of Chapter 150B of the General Statutes.

(b) The Department shall make the list available to local political subdivisions of the State and other public bodies. A manufacturer that is not in compliance with the requirements of G.S. 130A-309.134 or G.S. 130A-309.135 shall not sell or offer for sale computer equipment or televisions to the State, a local political subdivision of the State, or other public body.

"§ 143B-1331. Refurbished computer equipment purchasing program.

(a) The Department of Information Technology and the Department of Administration, with the administrative support of the Information Technology Strategic Sourcing Office, shall offer State and local governmental entities the option of purchasing refurbished computer equipment from registered computer equipment refurbishers whenever most appropriate to meet the needs of State and local governmental entities.

(b) State and local governmental entities shall document savings resulting from the purchase of the refurbished computer equipment, including, but not limited to, the initial acquisition cost as well as operations and maintenance costs. These savings shall be reported quarterly to the Department of Information Technology.

(c) The Information Technology Strategic Sourcing Office shall administer the refurbished computer equipment program by establishing a competitive purchasing process to support this initiative that meets all State information technology procurement laws and procedures and ensures that agencies receive the best value.

(d) Participating computer equipment refurbishers must meet all procurement requirements established by the Department of Information Technology and the Department of Administration.

"§ 143B-1332. Configuration and specification requirements same as for new computers.

Refurbished computer equipment purchased under this act must conform to the same standards as the State may establish as to the configuration and specification requirements for the purchase of new computers.

"§ 143B-1333. Data on reliability and other issues; report.

The Department of Information Technology shall maintain data on equipment reliability, potential cost savings, and any issues associated with the refurbished computer equipment initiative and shall report the results of the initiative to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016, and then quarterly thereafter.

"§ 143B-1334. Information technology procurement policy; reporting requirements.

(a) Policy. – In order to further the policy of the State to encourage and promote the use of small, minority, physically handicapped, and women contractors in State purchasing of goods and services, all State agencies shall cooperate with the Department in efforts to encourage the use of small, minority, physically handicapped, and women contractors in achieving the purposes of this Article, which is to provide for the effective and economical acquisition, management, and disposition of information technology.

(b) Bids. – A vendor submitting a bid shall disclose in a statement, provided contemporaneously with the bid, where services will be performed under the contract sought, including any subcontracts and whether any services under that contract, including any subcontracts, are anticipated to be performed outside the United States. Nothing in this section is intended to contravene any existing treaty, law, agreement, or regulation of the United States. The State CIO shall retain the statements required by this subsection regardless of the State entity that awards the contract and shall report annually to the Secretary of Administration on the number of contracts which are anticipated to be performed outside the United States.

(c) Reporting. – Every State agency that makes a direct purchase of information technology using the services of the Department shall report directly to the Department of Administration all information required by G.S. 143-48(b).

(d) Data from Department of Administration. – The Department of Administration shall collect and compile the data described in this section and report it annually to the Department of Information Technology, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

"Part 5. Data Centers.

"§ 143B-1335. Data centers.

(a) The State CIO 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 May 1, 2016, the State CIO shall present a report on the data center consolidation plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(b) State agencies shall use the State infrastructure to host their projects, services, data, and applications. The State Chief Information Officer may grant an exception if the State agency can demonstrate 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.

"Part 6. Communications and Portal Services.

"§ 143B-1336. Communications services.

(a) The State CIO shall exercise authority for telecommunications and other communications included in information technology relating to the internal management and operations of State agencies. In discharging that responsibility, the State CIO shall do the following:

- (1) Develop standards for a State network.
- (2) Develop a detailed plan for the standardization and operation of State communications networks and services.

- (3) Establish an inventory of communications systems in use within the State and ensure that the State is using the most efficient and cost-effective means possible.
- (4) Identify shortfalls in current network operations and develop a strategy to mitigate the identified shortfalls.
- (5) Provide for the establishment, management, and operation, through either State ownership, by contract, or through commercial leasing, of the following systems and services as they affect the internal management and operation of State agencies:
 - a. Central telephone systems and telephone networks, including Voice over Internet Protocol and Commercial Mobile Radio Systems.
 - b. Satellite services.
 - c. Closed-circuit TV systems.
 - d. Two-way radio systems.
 - e. Microwave systems.
 - f. Related systems based on telecommunication technologies.
 - g. The "State Network," managed by the Department, which means any connectivity designed for the purpose of providing Internet Protocol transport of information for State agencies.
 - h. Broadband.
- (6) Coordinate the development of cost-sharing systems for respective user agencies for their proportionate parts of the cost of maintenance and operation of the systems and services listed in subdivision (5) of this subsection.
- (7) Assist in the development of coordinated telecommunications services or systems within and among all State agencies and recommend, where appropriate, cooperative utilization of telecommunication facilities by aggregating users.
- (8) Perform traffic analysis and engineering for all telecommunications services and systems listed in subdivision (5) of this subsection.
- (9) Establish telecommunications specifications and designs so as to promote and support compatibility of the systems within State agencies.
- (10) Provide a periodic inventory of telecommunications costs, facilities, systems, and personnel within State agencies.
- (11) Promote, coordinate, and assist in the design and engineering of emergency telecommunications systems, including, but not limited to, the 911 emergency telephone number program, Emergency Medical Services, and other emergency telecommunications services.
- (12) Perform frequency coordination and management for State agencies and local governments, including all public safety radio service frequencies, in accordance with the rules and regulations of the Federal Communications Commission or any successor federal agency.
- (13) Advise all State agencies on telecommunications management planning and related matters and provide through the State Personnel Training Center or the Department training to users within State agencies in telecommunications technology and systems.
- (14) Assist and coordinate the development of policies and long-range plans, consistent with the protection of citizens' rights to privacy and access to information, for the acquisition and use of telecommunications systems, and base such policies and plans on current information about State telecommunications activities in relation to the full range of emerging technologies.

(b) The provisions of this section shall not apply to the Judicial Information System in the Judicial Department.

"§ 143B-1337. Communications services for local governmental entities and other entities.

(a) The State CIO shall provide cities, counties, and other local governmental entities with access to communications systems or services established by the Department under this

Part for State agencies. Access shall be provided on the same cost basis that applies to State agencies.

(b) The State CIO shall establish broadband communications services and permit, in addition to State agencies, cities, counties, and other local government entities, the following organizations and entities to share on a not-for-profit basis:

- (1) Nonprofit educational institutions as defined in G.S. 116-280.
- (2) MCNC and research affiliates of MCNC for use only in connection with research activities sponsored or funded, in whole or in part, by MCNC, if such research activities relate to health care or education in North Carolina.
- (3) Agencies of the United States government operating in North Carolina for use only in connection with activities that relate to health care, education, or FirstNet in North Carolina.
- (4) Hospitals, clinics, and other health care facilities for use only in connection with activities that relate to health care, education, or FirstNet in North Carolina.

(c) Any communications or broadband telecommunications services provided pursuant to this section shall not be provided in a manner that would cause the State or the Department to be classified as a public utility as that term is defined in G.S. 62-3(23)a.6., nor as a retailer as that term is defined in G.S. 105-164.3. Nor shall the State or the Department engage in any activities that may cause those entities to be classified as a common carrier as that term is defined in the Communications Act of 1934, 47 U.S.C. § 153(11). Provided further, authority to share communications services with the non-State agencies set forth in subdivisions (1) through (4) of subsection (b) of this section shall terminate not later than one year from the effective date of a tariff for such service or federal law that preempts this section.

"§ 143B-1338. Statewide electronic web presence; annual report.

(a) The Department shall plan, develop, implement, and operate a statewide electronic web presence, to include mobile, in order to (i) increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government and (ii) facilitate the public's interactions and communications with government agencies. The State CIO shall have approval authority over all agency Web site funding and content, to include any agency contract decisions. Participating agency Web site and content development staff shall be transferred to the Department in accordance with the schedule for their agency.

(b) Beginning January 1, 2016, and then annually thereafter, the State CIO shall report to the General Assembly and to the Fiscal Research Division on the following information:

- (1) Services currently provided and associated transaction volumes or other relevant indicators of utilization by user type.
- (2) New services added during the previous year.
- (3) Services added that are currently available in other states.
- (4) The total amount collected for each service.
- (5) The total amount remitted to the State for each service.
- (6) The total amount remitted to the vendor for each service.
- (7) Any other use of State data by the vendor and the total amount of revenue collected per each use and in total.
- (8) Customer satisfaction with each service.
- (9) Any other issues associated with the provision of each service.

"Part 7. Security of Information Technology.

"§ 143B-1339. Security.

Confidentiality. – No data of a confidential nature, as defined in the General Statutes or federal law, may be entered into or processed through any information technology system or network established under this Article until safeguards for the data's security satisfactory to the State CIO have been designed and installed and are fully operational. This section does not affect the provisions of G.S. 147-64.6 or G.S. 147-64.7.

"§ 143B-1340. Statewide security standards.

(a) The State CIO shall be responsible for the security of all State information technology systems and associated data. The State CIO shall manage all executive branch information technology security and shall establish a statewide standard for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including, but not limited to, data classification and

management, communications, and encryption technologies. The State CIO shall review and revise the security standards annually. As part of this function, the State 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 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.

(b) The State CIO shall establish standards for the management and safeguarding of all State data held by State agencies and private entities and shall develop and implement a process to monitor and ensure adherence to the established standards. The State CIO shall establish and enforce standards for the protection of State data. The State CIO shall develop and maintain an inventory of where State data is stored. 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.

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

"§ 143B-1341. State CIO approval of security standards and risk assessments.

(a) Notwithstanding G.S. 143-48.3, 143B-1300(b), or 143B-1300(c), or any other provision of law, and except as otherwise provided by this Article, all information technology security goods, software, or services purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State CIO in accordance with security standards adopted under this Part.

(b) The State CIO shall conduct risk assessments to identify compliance, operational, and strategic risks to the enterprise network. These assessments may include methods such as penetration testing or similar assessment methodologies. The State CIO may contract with another party or parties to perform the assessments. Detailed reports of the risk and security issues identified shall be kept confidential as provided in G.S. 132-6.1(c).

(c) If the legislative branch or the judicial branch develop their own security standards, taking into consideration the mission and functions of that entity, that are comparable to or exceed those set by the State CIO under this section, then those entities may elect to be governed by their own respective security standards. In these instances, approval of the State CIO shall not be required before the purchase of information technology security devices and services. If requested, the State CIO shall consult with the legislative branch and the judicial branch in reviewing the security standards adopted by those entities.

(d) Before a State agency may enter into any contract with another party for an assessment of network vulnerability, the State agency shall notify the State CIO and obtain approval of the request. If the State agency enters into a contract with another party for assessment and testing, after approval of the State CIO, the State agency shall issue public reports on the general results of the reviews. The contractor shall provide the State agency with detailed reports of the security issues identified that shall not be disclosed as provided in G.S. 132-6.1(c). The State agency shall provide the State CIO with copies of the detailed reports that shall not be disclosed as provided in G.S. 132-6.1(c).

(e) Nothing in this section shall be construed to preclude the Office of the State Auditor from assessing the security practices of State information technology systems as part of its statutory duties and responsibilities.

"§ 143B-1342. Assessment of agency compliance with security standards.

At a minimum, the State CIO shall annually assess the ability of each State agency, and each agency's contracted vendors, to comply with the current security enterprise-wide set of standards established pursuant to this section. The assessment shall include, at a minimum, the rate of compliance with the enterprise-wide security standards and an assessment of security organization, security practices, security information standards, network security architecture, and current expenditures of State funds for information technology security. The assessment of a State agency shall also estimate the cost to implement the security measures needed for agencies to fully comply with the standards. Each State agency shall submit information

required by the State CIO for purposes of this assessment. The State CIO shall include the information obtained from the assessment in the State Information Technology Plan.

"§ 143B-1343. State agency cooperation; liaisons.

(a) The head of each principal department and Council of State agency shall cooperate with the State CIO in the discharge of the State CIO's duties by providing the following information to the Department:

- (1) The full details of the State agency's information technology and operational requirements and of all the agency's information technology security incidents within 24 hours of confirmation.
- (2) Comprehensive information concerning the information technology security employed to protect the agency's information technology.
- (3) A forecast of the parameters of the agency's projected future information technology security needs and capabilities.
- (4) Designating an agency liaison in the information technology area to coordinate with the State CIO. The liaison shall be subject to a criminal background report from the State Repository of Criminal Histories, which shall be provided by the State Bureau of Investigation upon its receiving fingerprints from the liaison. If the liaison has been a resident of this State for less than five years, the background report shall include a review of criminal information from both the State and National Repositories of Criminal Histories. The criminal background report shall be provided to the State CIO and the head of the agency. In addition, all personnel in the Office of the State Auditor who are responsible for information technology security reviews shall be subject to a criminal background report from the State Repository of Criminal Histories, which shall be provided by the State Bureau of Investigation upon receiving fingerprints from the personnel designated by the State Auditor. For designated personnel who have been residents of this State for less than five years, the background report shall include a review of criminal information from both the State and National Repositories of Criminal Histories. The criminal background reports shall be provided to the State Auditor. Criminal histories provided pursuant to this subdivision are not public records under Chapter 132 of the General Statutes.

(b) The information provided by State agencies to the State CIO under this section is protected from public disclosure pursuant to G.S. 132-6.1(c).

"Part 8. Government Data Analytics Center.

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"Part 9. Criminal Justice Information.

...
"Part 10. Emergency Telephone Service.

...
"Part 11. North Carolina Geographic Information Coordinating Council."

...
SECTION 7A.2.(c) G.S. 143B-426.38A is recodified into Part 8 of Article 14 of Chapter 143B of the General Statutes as G.S. 143B-1344, and reads as rewritten:

"§ 143B-1344. Government Data Analytics Center; ~~State data-sharing requirements.Center.~~

(a) ~~State Government Data Analytics.~~ — ~~The State shall initiate across State agencies, departments, and institutions a data integration and data sharing initiative that is not intended to replace transactional systems but is instead intended to leverage the data from those systems for enterprise level State business intelligence as follows:~~

- (1) ~~Creation of initiative.~~ — ~~In carrying out the purposes of this section, the Office of the State Chief Information Officer (CIO) shall conduct an ongoing, comprehensive evaluation of State data analytics projects and plans in order to identify data integration and business intelligence opportunities that will generate greater efficiencies in, and improved service delivery by, State agencies, departments, and institutions. The State CIO shall continue to utilize public private partnerships and existing data integration and analytics contracts and licenses as appropriate to continue the implementation of the initiative.~~

- (2) ~~Application to State government. — The initiative shall include all State agencies, departments, and institutions, including The University of North Carolina.~~
- (3) ~~Governance. — The State CIO shall lead the initiative established pursuant to this section. The Chief Justice of the North Carolina Supreme Court and the Legislative Services Commission each shall designate an officer or agency to advise and assist the State CIO with respect to implementation of the initiative in their respective branches of government. The judicial and legislative branches shall fully cooperate in the initiative mandated by this section in the same manner as is required of State agencies.~~
- (a) Definitions. — The following definitions apply in this section:
- (1) Business intelligence. — The process of collecting, organizing, sharing, and analyzing data through integrated data management, reporting, visualization, and advanced analytics to discover patterns and other useful information that will allow policymakers and State officials to make more informed decisions. Business intelligence also includes both of the following:
- a. Broad master data management capabilities such as data integration, data quality and enrichment, data governance, and master data management to collect, reference, and categorize information from multiple sources.
- b. Self-service query and reporting capabilities to provide timely, relevant, and actionable information to business users delivered through a variety of interfaces, devices, or applications based on their specific roles and responsibilities.
- (2) Data analytics. — Data analysis, including the ability to use the data for assessment and extraction of policy relevant information.
- (3) Enterprise-level data analytics. — Standard analytics capabilities and services leveraging data throughout all State agencies, departments, and institutions.
- (4) Operationalize. — The implementation process whereby a State agency, department, or institution integrates analytical output into current business processes and systems in order to improve operational efficiency and decision making.
- (b) ~~Government Data Analytics Center. GDAC. - The Government Data Analytics Center is established as a unit of the Department.~~
- (1) ~~GDAC established. — There is established in the Office of the State CIO the Government Data Analytics Center (GDAC). Purpose. — The purpose of the GDAC is to utilize public-private partnerships as part of a statewide data integration and data-sharing initiative and to identify data integration and business intelligence opportunities that will generate greater efficiencies in, and improved service delivery by, State agencies, departments, and institutions. The intent is not to replace transactional systems but to leverage the data from those systems for enterprise-level State business intelligence. The GDAC shall continue the work, purpose, and resources of the previous data integration effort in the Office of the State Controller efforts and shall otherwise advise and assist the State CIO in the management of the initiative. The State CIO shall make any organizational changes necessary to maximize the effectiveness and efficiency of the GDAC.~~
- (2) Public-private partnerships. — The State CIO shall continue to utilize public-private partnerships and existing data integration and analytics contracts and licenses as appropriate to continue the implementation of the initiative. Private entities that partner with the State shall make appropriate contributions of funds or resources, including, but not limited to, knowledge transfer and education activities, software licensing, hardware and technical infrastructure resources, personnel resources, and such other appropriate resources as agreed upon by the parties.
- (2)(3) ~~Powers and duties of the GDAC. duties. — The State CIO shall, through the GDAC, do all of the following:~~
- a. ~~Continue Manage and coordinate ongoing enterprise data integration efforts, including:~~

1. The deployment, support, technology improvements, and expansion ~~for~~ of the Criminal Justice Law Enforcement Automated Data System (CJLEADS)-(CJLEADS) and related intelligence-based case management systems.
 2. The ~~pilot and subsequent phase initiative for~~ deployment, support, technology improvements, and expansion of the North Carolina Financial Accountability and Compliance Technology System (NCFACETS)-(NCFACETS) in order to collect data that will create efficiencies and detect fraud, waste, and abuse across State government.
 3. The development, deployment, support, technology improvements, and expansion of the GDAC Enterprise Solutions.
 - 3.4. Individual-level student data and workforce data from all levels of education and the State workforce.
 5. The integration of all available financial data to support more comprehensive State budget and financial analyses.
 - 4.6. Other ~~capabilities~~ capabilities as developed as ~~part of the initiative~~ by the GDAC.
- b. Identify technologies currently used in North Carolina that have the capability to support the initiative.
 - c. Identify other technologies, especially those with unique ~~capabilities~~, capabilities that are complementary to existing GDAC analytic solutions that could support the State's business intelligence effort.
 - d. Compare capabilities and costs across State agencies.
 - e. Ensure implementation is properly supported across State agencies.
 - f. Ensure that data integration and sharing is performed in a manner that preserves data privacy and security in transferring, storing, and accessing data, as appropriate.
 - g. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section.
 - h. Coordinate data requirements and usage for State business intelligence applications in a manner that (i) limits impacts on participating State agencies as those agencies provide data and business knowledge ~~expertise and expertise~~, (ii) assists in defining business rules so the data can be properly ~~used~~ used, and (iii) ensures participating State agencies operationalize analytics and report outcomes.
 - i. Recommend the most cost-effective and reliable long-term hosting solution for enterprise-level State business intelligence as well as data integration, notwithstanding ~~Section 6A.2(f) of S.L. 2011-145~~ any other provision of State law or regulation.
 - j. Utilize a common approach that establishes standards for business intelligence initiatives for all State agencies and prevents the development of projects that do not meet the established standards.
 - k. Create efficiencies in State government by ensuring that State agencies use the GDAC for agency business intelligence requirements.
 - l. Assist State agencies in developing requirements for the integration or creation of an interface with State agencies' workflow processes and transactional systems to operationalize GDAC analytic solutions.
 - m. Establish clear metrics and definitions with participating State agencies for reporting outcomes for each GDAC project.
 - n. Evaluate State agency business intelligence projects to determine the feasibility of integrating analytics and reporting with the GDAC and to determine what GDAC services may support the projects.

- (4) Application to State government. – The initiative shall include all State agencies, departments, and institutions, including The University of North Carolina, as follows:
- a. All State agency business intelligence requirements, including any planning or development efforts associated with creating business intelligence capability, as well as any master data management efforts, shall be implemented through the GDAC.
 - b. The Chief Justice of the North Carolina Supreme Court and the Legislative Services Commission each shall designate an officer or agency to advise and assist the State CIO with respect to implementation of the initiative in their respective branches of government. The judicial and legislative branches shall fully cooperate in the initiative mandated by this section in the same manner as is required of State agencies.
- (5) Project management. – The State CIO and State agencies, with the assistance of the Office of State Budget and Management, shall identify potential funding sources for expansion of existing projects or development of new projects. No GDAC project shall be initiated, extended, or expanded:
- a. Without the specific approval of the General Assembly, unless the project can be implemented within funds appropriated for GDAC projects.
 - b. Without prior consultation to the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology if the project can be implemented within funds appropriated for GDAC projects.
- (e) ~~Implementation of the Enterprise Level Business Intelligence Initiative.—~~
- (1) ~~Phases of the initiative.— The initiative shall cycle through these phases on an ongoing basis as follows:~~
- a. ~~Phase I requirements.— In the first phase, the State CIO through GDAC shall:~~
 1. ~~Inventory existing State agency business intelligence projects, both completed and under development.~~
 2. ~~Develop a plan of action that does all of the following:~~
 - I. ~~Defines the program requirements, objectives, and end state of the initiative.~~
 - II. ~~Prioritizes projects and stages of implementation in a detailed plan and benchmarked time line.~~
 - III. ~~Includes the effective coordination of all of the State's current data integration initiatives.~~
 - IV. ~~Utilizes a common approach that establishes standards for business intelligence initiatives for all State agencies and prevents the development of projects that do not meet the established standards.~~
 - V. ~~Determines costs associated with the development efforts and identifies potential sources of funding.~~
 - VI. ~~Includes a privacy framework for business intelligence consisting of adequate access controls and end user security requirements.~~
 - VII. ~~Estimates expected savings.~~
 3. ~~Inventory existing external data sources that are purchased by State agencies to determine whether consolidation of licenses is appropriate for the enterprise.~~
 4. ~~Determine whether current, ongoing projects support the enterprise level objectives.~~
 5. ~~Determine whether current applications are scalable or are applicable for multiple State agencies or both.~~
 - b. ~~Phase II requirements.— In the second phase, the State CIO through the GDAC shall:~~

1. ~~Identify redundancies and recommend to the General Assembly any projects that should be discontinued.~~
2. ~~Determine where gaps exist in current or potential capabilities.~~
- e. ~~Phase III requirements. In the third phase:~~
 1. ~~The State CIO through GDAC shall incorporate or consolidate existing projects, as appropriate.~~
 2. ~~The State CIO shall, notwithstanding G.S. 147-33.76 or any rules adopted pursuant thereto, eliminate redundant business intelligence projects, applications, software, and licensing.~~
 3. ~~The State CIO through GDAC shall complete all necessary steps to ensure data integration in a manner that adequately protects privacy.~~

(2) ~~Project management. The State CIO shall ensure that all current and new business intelligence/data analytics projects are in compliance with all State laws, policies, and rules pertaining to information technology procurement, project management, and project funding and that they include quantifiable and verifiable savings to the State. The State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on projects that are not achieving projected savings. The report shall include a proposed corrective action plan for the project.~~

~~The Office of the State CIO, with the assistance of the Office of State Budget and Management, shall identify potential funding sources for expansion of existing projects or development of new projects. No GDAC project shall be initiated, extended, or expanded:~~

- a. ~~Without the specific approval of the General Assembly unless the project can be implemented within funds appropriated for GDAC projects.~~
- b. ~~Without prior consultation to the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology if the project can be implemented within funds appropriated for GDAC projects.~~

(c) Data Sharing. –

(1) General duties of all State agencies. – Except as limited or prohibited by federal law, the head of each State agency, department, and institution shall do all of the following:

- a. Grant the State CIO and the GDAC access to all information required to develop and support State business intelligence applications pursuant to this section. The State CIO and the GDAC shall take all necessary actions and precautions, including training, certifications, background checks, and governance policy and procedure, to ensure the security, integrity, and privacy of the data in accordance with State and federal law and as may be required by contract.
- b. Provide complete information on the State agency's information technology, operational, and security requirements.
- c. Provide information on all of the State agency's information technology activities relevant to the State business intelligence effort.
- d. Forecast the State agency's projected future business intelligence information technology needs and capabilities.
- e. Ensure that the State agency's future information technology initiatives coordinate efforts with the GDAC to include planning and development of data interfaces to incorporate data into the initiative and to ensure the ability to leverage analytics capabilities.
- f. Provide technical and business resources to participate in the initiative by providing, upon request and in a timely and responsive manner, complete and accurate data, business rules and policies, and support.

- g. Identify potential resources for deploying business intelligence in their respective State agencies and as part of the enterprise-level effort.
 - h. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section, as appropriate.
- (2) Specific agency requirements. – The following agency-specific requirements are designed to illustrate but not limit the type and extent of data and information required to be released under subdivision (1) of this subsection:
- a. The North Carolina Industrial Commission shall release to the GDAC, or otherwise provide electronic access to, all data requested by the GDAC relating to workers' compensation insurance coverage, claims, appeals, compliance, and enforcement under Chapter 97 of the General Statutes.
 - b. The North Carolina Rate Bureau (Bureau) shall release to the GDAC, or otherwise provide electronic access to, all data requested by the GDAC relating to workers' compensation insurance coverage, claims, business ratings, and premiums under Chapter 58 of the General Statutes. The Bureau shall be immune from civil liability for releasing information pursuant to this subsection, even if the information is erroneous, provided the Bureau acted in good faith and without malicious or willful intent to harm in releasing the information.
 - c. The Department of Commerce, Division of Employment Security (DES), shall release to the GDAC, or otherwise provide access to, all data requested by the GDAC relating to unemployment insurance coverage, claims, and business reporting under Chapter 96 of the General Statutes.
 - d. The Department of Labor shall release to the GDAC, or otherwise provide access to, all data requested by the GDAC relating to safety inspections, wage and hour complaints, and enforcement activities under Chapter 95 of the General Statutes.
 - e. The Department of Revenue shall release to the GDAC, or otherwise provide access to, all data requested by the GDAC relating to the registration and address information of active businesses, business tax reporting, and aggregate federal tax Form 1099 data for comparison with information from DES, the Rate Bureau, and the Department of the Secretary of State for the evaluation of business reporting. Additionally, the Department of Revenue shall furnish to the GDAC, upon request, other tax information, provided that the information furnished does not impair or violate any information-sharing agreements between the Department and the United States Internal Revenue Service. Notwithstanding any other provision of law, a determination of whether furnishing the information requested by the GDAC would impair or violate any information-sharing agreements between the Department of Revenue and the United States Internal Revenue Service shall be within the sole discretion of the State Chief Information Officer. The Department of Revenue and the Office of the State CIO shall work jointly to assure that the evaluation of tax information pursuant to this sub-subdivision is performed in accordance with applicable federal law.
 - f. The North Carolina Department of Health and Human Services, pursuant to this Part, shall share (i) claims data from NCTRACKS and the accompanying claims data warehouse and (ii) encounter data with the GDAC in order to leverage existing public-private partnerships and subject matter expertise that can assist in providing outcome-based analysis of services and programs as well as

- population health analytics of the Medicaid and LME/MCO patient population.
- (3) All information shared with the GDAC and the State CIO under this subsection is protected from release and disclosure in the same manner as any other information is protected under this subsection.
- (d) Provisions on Privacy and Confidentiality of Information. –
- (1) Status with respect to certain information. – The State CIO and the GDAC shall be deemed to be all of the following for the purposes of this section:
- a. A criminal justice agency (CJA), as defined under Criminal Justice Information Services (CJIS) Security Policy. The State CJIS Systems Agency (CSA) shall ensure that CJLEADS receives access to federal criminal information deemed to be essential in managing CJLEADS to support criminal justice professionals.
 - b. With respect to health information covered under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended, and to the extent allowed by federal law:
 1. A business associate with access to protected health information acting on behalf of the State's covered entities in support of data integration, analysis, and business intelligence.
 2. Authorized to access and view individually identifiable health information, provided that the access is essential to the enterprise fraud, waste, and improper payment detection program or required for future initiatives having specific definable need for such data.
 - c. Authorized to access all State and federal data, including revenue and labor information, deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for the data.
 - d. Authorized to develop agreements with the federal government to access data deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for such data.
- (2) Release of information. – The following limitations apply to (i) the release of information compiled as part of the initiative, (ii) data from State agencies that is incorporated into the initiative, and (iii) data released as part of the implementation of the initiative:
- a. Information compiled as part of the initiative. – Notwithstanding the provisions of Chapter 132 of the General Statutes, information compiled by the State CIO and the GDAC related to the initiative may be released as a public record only if the State CIO, in that officer's sole discretion, finds that the release of information is in the best interest of the general public and is not in violation of law or contract.
 - b. Data from State agencies. – Any data that is not classified as a public record under G.S. 132-1 shall not be deemed a public record when incorporated into the data resources comprising the initiative. To maintain confidentiality requirements attached to the information provided to the State CIO and the GDAC, each source agency providing data shall be the sole custodian of the data for the purpose of any request for inspection or copies of the data under Chapter 132 of the General Statutes.
 - c. Data released as part of implementation. – Information released to persons engaged in implementing the State's business intelligence strategy under this section that is used for purposes other than official State business is not a public record pursuant to Chapter 132 of the General Statutes.
 - d. Data from North Carolina Rate Bureau. – Notwithstanding any other provision of this section, any data released by or obtained from the

North Carolina Rate Bureau under this initiative relating to workers' compensation insurance claims, business ratings, or premiums are not public records, and public disclosure of such data, in whole or in part, by the GDAC or State CIO, or by any State agency, is prohibited.

~~(d)~~(e) Funding. – ~~The Office of the State CIO, Department of Information Technology,~~ with the support of the Office of State Budget and Management, shall identify and make all efforts to secure any matching funds or other resources to assist in funding ~~this initiative, the GDAC.~~ Savings resulting from the cancellation of projects, software, and licensing, as well as any other savings from the ~~initiative, utilization of the GDAC,~~ shall be returned to the General Fund and shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year. It is the intent of the General Assembly that expansion of the ~~initiative GDAC~~ in subsequent fiscal years be funded with these savings and that the General Assembly appropriate funds for projects in accordance with the priorities identified by the ~~Office of the State CIO in Phase I of the initiative.~~CIO.

~~(e)~~(f) Reporting. – ~~The Office of the State CIO shall:~~

(1) ~~Submit and present quarterly reports on implementation of Phase I of the initiative and the plan developed as part of that phase. On or before March 1 of each year, submit and present a report on the activities described in this section to the Chairs of the House of Representatives Appropriations and Senate Base Budget/Appropriations Committees, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the General Assembly. The State CIO shall submit a report prior to implementing any improvements, expending funding for expansion of existing business intelligence efforts, or establishing other projects as a result of its evaluations, and quarterly thereafter, a written report detailing progress on, and identifying any issues associated with, State business intelligence efforts. The report shall include the following:~~

a. A description of project funding and expenditures, cost savings, cost avoidance, efficiency gains, process improvements, and major accomplishments. Cost savings and cost avoidance shall include immediate monetary impacts as well as ongoing projections.

b. A description of the contribution of funds or resources by those private entities which are participating in public-private partnerships under this section, including, but not limited to, knowledge transfer and education activities, software licensing, hardware and technical infrastructure resources, personnel resources, and such other resources as agreed upon by the State and the private entity.

(2) ~~Report the following information as needed upon its occurrence or as requested:~~

a. Any failure of a State agency to provide information requested pursuant to this section. The failure shall be reported to the Joint Legislative Oversight Committee on Information Technology and to the Chairs of the House of Representatives Appropriations and Senate Base Budget/Appropriations Committees.

b. Any additional information to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology that is requested by those entities.

~~(f)~~ Data Sharing. –

(1) ~~General duties of all State agencies. — Except as limited or prohibited by federal law, the head of each State agency, department, and institution shall do all of the following:~~

a. ~~Grant the Office of the State CIO access to all information required to develop and support State business intelligence applications pursuant to this section. The State CIO and the GDAC shall take all necessary actions and precautions, including training, certifications, background checks, and governance policy and procedure, to ensure~~

- ~~the security, integrity, and privacy of the data in accordance with State and federal law and as may be required by contract.~~
- ~~b. Provide complete information on the State agency's information technology, operational, and security requirements.~~
- ~~c. Provide information on all of the State agency's information technology activities relevant to the State business intelligence effort.~~
- ~~d. Forecast the State agency's projected future business intelligence information technology needs and capabilities.~~
- ~~e. Ensure that the State agency's future information technology initiatives coordinate efforts with the GDAC to include planning and development of data interfaces to incorporate data into the initiative and to ensure the ability to leverage analytics capabilities.~~
- ~~f. Provide technical and business resources to participate in the initiative by providing, upon request and in a timely and responsive manner, complete and accurate data, business rules and policies, and support.~~
- ~~g. Identify potential resources for deploying business intelligence in their respective State agencies and as part of the enterprise-level effort.~~
- ~~h. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section, as appropriate.~~
- (2) ~~Specific requirements.—The State CIO and the GDAC shall enhance the State's business intelligence through the collection and analysis of data relating to workers' compensation claims for the purpose of preventing and detecting fraud, as follows:~~
 - ~~a. The North Carolina Industrial Commission shall release to GDAC, or otherwise provide electronic access to, all data requested by GDAC relating to workers' compensation insurance coverage, claims, appeals, compliance, and enforcement under Chapter 97 of the General Statutes.~~
 - ~~b. The North Carolina Rate Bureau (Bureau) shall release to GDAC, or otherwise provide electronic access to, all data requested by GDAC relating to workers' compensation insurance coverage, claims, business ratings, and premiums under Chapter 58 of the General Statutes. The Bureau shall be immune from civil liability for releasing information pursuant to this subsection, even if the information is erroneous, provided the Bureau acted in good faith and without malicious or willful intent to harm in releasing the information.~~
 - ~~c. The Department of Commerce, Division of Employment Security (DES), shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to unemployment insurance coverage, claims, and business reporting under Chapter 96 of the General Statutes.~~
 - ~~d. The Department of Labor shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to safety inspections, wage and hour complaints, and enforcement activities under Chapter 95 of the General Statutes.~~
 - ~~e. The Department of Revenue shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to the registration and address information of active businesses, business tax reporting, and aggregate federal tax Form 1099 data for comparison with information from DES, the Rate Bureau, and the Department of the Secretary of State for the evaluation of business reporting. Additionally, the Department of Revenue shall furnish to the GDAC, upon request, other tax information, provided that the information furnished does not impair or violate any information sharing agreements between the Department and the~~

~~United States Internal Revenue Service. Notwithstanding any other provision of law, a determination of whether furnishing the information requested by GDAC would impair or violate any information sharing agreements between the Department of Revenue and the United States Internal Revenue Service shall be within the sole discretion of the State Chief Information Officer. The Department of Revenue and the Office of the State CIO shall work jointly to assure that the evaluation of tax information pursuant to this subdivision is performed in accordance with applicable federal law.~~

- ~~(3) All information shared with GDAC and the State CIO under this subdivision is protected from release and disclosure in the same manner as any other information is protected under this section.~~
- ~~(g) Provisions on Privacy and Confidentiality of Information.~~
 - ~~(1) Status with respect to certain information.—The State CIO and the GDAC shall be deemed to be all of the following for the purposes of this section:~~
 - ~~a. With respect to criminal information, and to the extent allowed by federal law, a criminal justice agency (CJA), as defined under Criminal Justice Information Services (CJIS) Security Policy. The State CJIS Systems Agency (CSA) shall ensure that CJLEADS receives access to federal criminal information deemed to be essential in managing CJLEADS to support criminal justice professionals.~~
 - ~~b. With respect to health information covered under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended, and to the extent allowed by federal law:~~
 - ~~1. A business associate with access to protected health information acting on behalf of the State's covered entities in support of data integration, analysis, and business intelligence.~~
 - ~~2. Authorized to access and view individually identifiable health information, provided that the access is essential to the enterprise fraud, waste, and improper payment detection program or required for future initiatives having specific definable need for the data.~~
 - ~~c. Authorized to access all State and federal data, including revenue and labor information, deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for the data.~~
 - ~~d. Authorized to develop agreements with the federal government to access data deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for such data.~~
 - ~~(2) Release of information.—The following limitations apply to (i) the release of information compiled as part of the initiative, (ii) data from State agencies that is incorporated into the initiative, and (iii) data released as part of the implementation of the initiative:~~
 - ~~a. Information compiled as part of the initiative.—Notwithstanding the provisions of Chapter 132 of the General Statutes, information compiled by the State CIO and the GDAC related to the initiative may be released as a public record only if the State CIO, in that officer's sole discretion, finds that the release of information is in the best interest of the general public and is not in violation of law or contract.~~
 - ~~b. Data from State agencies.—Any data that is not classified as a public record under G.S. 132-1 shall not be deemed a public record when incorporated into the data resources comprising the initiative. To maintain confidentiality requirements attached to the information provided to the State CIO and GDAC, each source agency providing~~

~~data shall be the sole custodian of the data for the purpose of any request for inspection or copies of the data under Chapter 132 of the General Statutes.~~

- ~~e. Data released as part of implementation.— Information released to persons engaged in implementing the State's business intelligence strategy under this section that is used for purposes other than official State business is not a public record pursuant to Chapter 132 of the General Statutes.~~
- ~~d. Data from North Carolina Rate Bureau.— Notwithstanding any other provision of this section, any data released by or obtained from the North Carolina Rate Bureau under this initiative relating to workers' compensation insurance claims, business ratings, or premiums are not public records and public disclosure of such data, in whole or in part, by the GDAC or State CIO, or by any State agency, is prohibited.~~

~~(h) Definition/Additional Requirements.— For the purposes of this section, the term "business intelligence (BI)" means the process of collecting, organizing, sharing, and analyzing data through integrated data management, reporting, visualization, and advanced analytics to discover patterns and other useful information that will allow policymakers and State officials to make more informed decisions. The term also includes (i) broad master data management capabilities such as data integration, data quality and enrichment, data governance, and master data management to collect, reference, and categorize information from multiple sources and (ii) self-service query and reporting capabilities to provide timely, relevant, and actionable information to business users delivered through a variety of interfaces, devices, or applications based on their specific roles and responsibilities. All State agency business intelligence requirements, including any planning or development efforts associated with creating BI capability, as well as any master data management efforts, shall be implemented through GDAC. The State Chief Information Officer shall ensure that State agencies use the GDAC for agency business intelligence requirements."~~

SECTION 7A.2.(d) G.S. 143B-1351(a), as recodified by this Part, reads as rewritten:

"(a) The Criminal Justice Information Network Governing Board is established within the Office of the State Chief Information Officer~~Department of Information Technology~~, as a Type II transfer, to operate the State's Criminal Justice Information Network, the purpose of which shall be to provide the governmental and technical information systems infrastructure necessary for accomplishing State and local governmental public safety and justice functions in the most effective manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies. The Board is established within the Office of the State Chief Information Officer, for organizational and budgetary purposes only and the Board shall exercise all of its statutory powers in this Article independent of control by the Office of the State Chief Information Officer."

SECTION 7A.2.(e) G.S. 143B-1353(a)(2), as recodified by this Part, reads as rewritten:

"(a) The Board shall have the following powers and duties:

- ...
- (2) To develop and adopt uniform standards and cost-effective information technology, after thorough evaluation of the capacity of information technology to meet the present and future needs of the State and, in consultation with the Office~~Department~~ of Information Technology Services, Technology, to develop and adopt standards for entering, storing, and transmitting information in criminal justice databases and for achieving maximum compatibility among user technologies."

SECTION 7A.2.(f) G.S. 143B-1354(b), as recodified by this Part, reads as rewritten:

"(b) The staff of the Criminal Justice Information Network shall provide the Board with professional and clerical support and any additional support the Board needs to fulfill its mandate. The Board's staff shall use space provided by the Office of the State Chief Information Officer~~Department of Information Technology~~."

INSTRUCTIONS TO THE REVISOR OF STATUTES

SECTION 7A.3. The Revisor of Statutes shall make the following recodifications in connection with creating the Department of Information Technology:

- (1) Article 69 of Chapter 143 of the General Statutes (Criminal Justice Information Network) is recodified as Part 9 of Article 14 of Chapter 143B of the General Statutes with the sections to be numbered as G.S. 143B-1350 through 143B-1354, respectively.
- (2) Article 3 of Chapter 62A of the General Statutes (Emergency Telephone Service) is recodified as Part 10 of Article 14 of Chapter 143B of the General Statutes with the sections to be numbered as G.S. 143B-1360 through G.S. 143B-1370, respectively.
- (3) Article 76 of Chapter 143 of the General Statutes (North Carolina Geographic Information Coordinating Council) is recodified as Part 11 of Article 14 of Chapter 143B of the General Statutes with the sections to be recodified as G.S. 143B-1375 through 143B-1378, respectively.

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.

CONFORMING AND TECHNICAL CHANGES RELATING TO DEPARTMENT OF INFORMATION TECHNOLOGY

SECTION 7A.4.(a) G.S. 18C-114(b) reads as rewritten:

"(b) ~~Article 3D of Chapter 147~~Article 14 of Chapter 143B of the General Statutes shall not apply to the Commission."

SECTION 7A.4.(b) G.S. 20-7(b2)(6) reads as rewritten:

"(6) To the ~~Office of the State Chief Information Officer~~ for the purposes of ~~G.S. 143B-426.38A~~G.S. 143B-1344."

SECTION 7A.4.(c) G.S. 20-43(a) reads as rewritten:

"(a) All records of the Division, other than those declared by law to be confidential for the use of the Division, shall be open to public inspection during office hours in accordance with G.S. 20-43.1. A signature recorded in any format by the Division for a drivers license or a special identification card is confidential and shall not be released except for law enforcement purposes. A photographic image recorded in any format by the Division for a drivers license or a special identification card is confidential and shall not be released except for law enforcement purposes or to the ~~Office of the State Chief Information Officer~~ for the purposes of ~~G.S. 143B-426.38A~~G.S. 143B-1344."

SECTION 7A.4.(d) G.S. 58-2-69(g) reads as rewritten:

"(g) The Commissioner may contract with the NAIC or other persons for the provision of online services to applicants and licensees, for the provision of administrative services, for the provision of license processing and support services, and for the provision of regulatory data systems to the Commissioner. The NAIC or other person with whom the Commissioner contracts may charge applicants and licensees a reasonable fee for the provision of online services, the provision of administrative services, the provision of license processing and support services, and the provision of regulatory data systems to the Commissioner. The fee shall be agreed to by the Commissioner and the other contracting party and shall be stated in the contract. The fee is in addition to any applicable license application and renewal fees. Contracts for the provision of online services, contracts for the provision of administrative services, and contracts for the provision of regulatory data systems shall not be subject to Article 3, 3C, or 8 of Chapter 143 of the General Statutes or to ~~Article 3D of Chapter 147~~Article 14 of Chapter 143B of the General Statutes. However, the Commissioner shall: (i) submit all proposed contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars (\$1,000,000) authorized by this subsection to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all contracts to be awarded by the Commissioner under this subsection a standard clause which provides that the State Auditor and internal auditors of the Commissioner may audit the records of the contractor during and after the term of the agreement or contract to verify accounts and data affecting fees and performance. The

Commissioner shall not award a cost plus percentage of cost agreement or contract for any purpose."

SECTION 7A.4.(e) G.S. 62-3(23)i. reads as rewritten:

"i. The term "public utility" shall not include the State, the ~~Office Department of Information Technology Services, Technology,~~ or the Microelectronics Center of North Carolina in the provision or sharing of switched broadband telecommunications services with non-State entities or organizations of the kind or type set forth in G.S. 143B-426.39."

SECTION 7A.4.(f) G.S. 62A-41(a), recodified as G.S. 143B-1361(a) by this Part, reads as rewritten:

"(a) Membership. – The 911 Board is established in the ~~Office Department of Information Technology Services, Technology,~~ Neither a local government unit that receives a distribution from the fund under G.S. 62A-46 nor a telecommunication service provider may have more than one representative on the 911 Board. The 911 Board consists of 17 members as follows:

...."

SECTION 7A.4.(g) G.S. 66-58.20 reads as rewritten:

"§ 66-58.20. **Development and implementation of Web portals; public agency links.**

(a) The ~~Office Department of Information Technology Services (ITS)(DIT)~~ shall develop the architecture, requirements, and standards for the development, implementation and operation of one or more centralized Web portals that will allow persons to access State government services on a 24-hour basis. ~~ITS-DIT~~ shall submit its plan for the implementation of the Web portals to the State Chief Information Officer for review and approval. When the plan is approved by the State Chief Information Officer, ~~ITS-DIT~~ shall move forward with development and implementation of the statewide Web Portal system.

(b) Each State ~~department, agency, and institution under the review of the State Chief Information Officer~~ agency as defined in G.S. 143B-1300(a) shall functionally link its Internet or electronic services to a centralized Web portal system established pursuant to subsection (a) of this section."

SECTION 7A.4.(h) G.S. 105-259(b)(45) reads as rewritten:

"(45) To furnish tax information to the ~~Office of the State Chief Information Officer under G.S. 143B-426.38A,~~ pursuant to G.S. 143B-1344. The use and reporting of individual data may be restricted to only those activities specifically allowed by law when potential fraud or other illegal activity is indicated."

SECTION 7A.4.(i) G.S. 115C-529 reads as rewritten:

"§ 115C-529. **Useful life guidelines.**

The ~~State Office Department~~ of Information Technology ~~Services~~ shall develop and annually revise guidelines for determining the useful life of computers purchased under G.S. 115C-528. The Division of Purchase and Contract shall develop and periodically revise guidelines for determining the useful life of automobiles, school buses, and photocopiers purchased under G.S. 115C-528. The Local Government Commission shall develop and periodically revise guidelines for determining the useful life of mobile classroom units purchased under G.S. 115C-528. Guidelines for computers and photocopiers shall include provisions for upgrades during the term of the contract. The ~~State Office Department of Information Technology Services, Technology,~~ the Division of Purchase and Contract, and the Local Government Commission shall provide their respective guidelines to the State Board of Education by November 1, 1996. The State Board of Education shall provide the guidelines to local boards of education by January 1, 1997."

SECTION 7A.4.(j) G.S. 116-40.22(d) reads as rewritten:

"(d) Information Technology. – Notwithstanding any other provision of law, the Board of Trustees of an institution shall establish policies and rules governing the planning, acquisition, implementation, and delivery of information technology and telecommunications at the institution. These policies and rules shall provide for security and encryption standards; software standards; hardware standards; acquisition of information technology consulting and contract services; disaster recovery standards; and standards for desktop and server computing, telecommunications, networking, video services, personal digital assistants, and other wireless technologies; and other information technology matters that are necessary and appropriate to

fulfill the teaching, educational, research, extension, and service missions of the institution. The Board of Trustees shall submit all initial policies and rules adopted pursuant to this subsection to the ~~Office-Department~~ of Information Technology ~~Services~~ for review upon adoption by the Board of Trustees. Any subsequent changes to these policies and rules adopted by the Board of Trustees shall be submitted to the ~~Office-Department~~ of Information Technology ~~Services~~ for review. Any comments by the ~~Office-Department~~ of Information Technology ~~Services~~ shall be submitted to the Chancellor of that institution."

SECTION 7A.4.(k) G.S. 126-5 reads as rewritten:

"§ 126-5. Employees subject to Chapter; exemptions.

...
(c11) The following are exempt from: (i) the classification and compensation rules established by the State Human Resources Commission pursuant to G.S. 126-4(1) through (4); (ii) G.S. 126-4(5) only as it applies to hours and days of work, vacation, and sick leave; (iii) G.S. 126-4(6) only as it applies to promotion and transfer; (iv) G.S. 126-4(10) only as it applies to the prohibition of the establishment of incentive pay programs; and (v) Article 2 of Chapter 126 of the General Statutes, except for G.S. 126-7.1:

...
(3) Employees of the ~~Office of the State Chief Information Officer, the~~ ~~Office-Department~~ of Information Technology ~~Services (ITS), (DIT)~~, and employees in all agencies, departments, and institutions with similar classifications as ~~ITS-DIT~~ employees, who voluntarily relinquish annual longevity payments, relinquish any claim to longevity pay, voluntarily relinquish any claim to career status or eligibility for career status as approved by the State Chief Information Officer and the Director of the Office of State Human Resources (OSHR).

...
(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:

- ...
k. ~~Office-Department~~ of Information Technology ~~Services-Technology~~.
l. Office of State Budget and Management.
m. Office of State Human Resources.

...
SECTION 7A.4.(l) G.S. 130A-309.138(1) reads as rewritten:

"(1) Develop and maintain a current list of manufacturers that are in compliance with the requirements of G.S. 130A-309.134 and G.S. 130A-309.135, post the list to the Department's Web site, and provide the current list to the ~~Office-Department~~ of Information Technology ~~Services~~ each time that the list is updated."

SECTION 7A.4.(m) G.S. 136-89.194(g)(2) reads as rewritten:

"(g) Contract Exemptions. – The following provisions concerning the purchase of goods and services by a State agency do not apply to the Turnpike Authority:

...
(2) ~~Article 3D of Chapter 147~~ Article 14 of Chapter 143B of the General Statutes. The Authority may use the services of the ~~Office of Information Technology Services~~ Department of Information Technology in procuring goods and services that are not specific to establishing and operating a toll revenue system. ~~All~~ However, all contract information for contracts for information technology are subject to disclosure in accordance with ~~G.S. 147-33.95~~ Article 14 of Chapter 143B of the General Statutes."

SECTION 7A.4.(n) G.S. 138A-3 reads as rewritten:

"§ 138A-3. Definitions.

The following definitions apply in this Chapter:

...
(30) Public servants. – All of the following:
...

- p. The ~~chief information officer, State Chief Information Officer,~~ deputy chief information officers, chief financial officers, and general counsel of the ~~Office of~~ Department of Information Technology.

...."
SECTION 7A.4.(o) G.S. 143-48.3 reads as rewritten:

"§ 143-48.3. **Electronic procurement.**

(a) The Department of Administration shall develop and maintain electronic or digital standards for procurement. The Department of Administration shall consult with the Office of the State Controller, the ~~Office—Department of Information Technology Services (ITS); Technology,~~ the Department of State Auditor, the Department of State Treasurer, The University of North Carolina General Administration, the Community Colleges System Office, and the Department of Public Instruction.

...
(b) The Department of Administration, in conjunction with the Office of the State Controller and the ~~Office—Department of Information Technology Services—~~may, upon request, provide to all State agencies, universities, and community colleges, training in the use of the electronic procurement system.

(c) The Department of Administration shall utilize the ~~Office—Department of Information Technology Services—~~as an Application Service Provider for an electronic procurement system. The ~~Office—Department of Information Technology Services—~~shall operate this electronic procurement system, through State ownership or commercial leasing, in accordance with the requirements and operating standards developed by the Department of Administration and the financial reporting and accounting procedures of the Office of the State Controller.

...
(f) Any State entity or community college operating a functional electronic procurement system established prior to September 1, 2001, may until May 1, 2003, continue to operate that system independently or may opt into the North Carolina E-Procurement Service. Each entity subject to this section shall notify the ~~Office—Department of Information Technology Services—~~by January 1 of each year of its intent to participate in the North Carolina E-Procurement Service."

SECTION 7A.4.(p) G.S. 143-49 reads as rewritten:

"§ 143-49. **Powers and duties of Secretary.**

The Secretary of Administration has the power and authority, and it is the Secretary's duty, subject to the provisions of this Article:

- ...
(8) To establish and maintain a procurement card program for use by State agencies, community colleges, and nonexempted constituent institutions of The University of North Carolina. The Secretary of Administration may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller, after consultation with the ~~Office—Department of Information Technology Services—Technology.~~ These rules would include the establishment of appropriate order limits that leverage the cost savings and efficiencies of the procurement card program in conjunction with the fullest possible use of the North Carolina E-Procurement Service. Prior to implementing the program, the Secretary shall consult with the State Controller, the UNC General Administration, the Community Colleges System Office, the State Auditor, the Department of Public Instruction, a representative chosen by the local school administrative units, and the ~~Office—Department of Information Technology Services—Technology.~~ The Secretary may periodically adjust the order limit authorized in this section after consulting with the State Controller, the UNC General Administration, the Community Colleges System Office, the Department of Public Instruction, and the ~~Office Department of Information Technology Services—Technology.~~

...."
SECTION 7A.4.(q) G.S. 143-56 reads as rewritten:

"§ 143-56. **Certain purchases excepted from provisions of Article.**

Unless as may otherwise be ordered by the Secretary of Administration, the purchase of supplies, materials and equipment through the Secretary of Administration shall be mandatory in the following cases:

- (1) Published books, manuscripts, maps, pamphlets and periodicals.
- (2) Perishable articles such as fresh vegetables, fresh fish, fresh meat, eggs, and others as may be classified by the Secretary of Administration.

Purchase through the Secretary of Administration shall not be mandatory for information technology purchased in accordance with ~~Article 3D of Chapter 147~~ Article 14 of Chapter 143B of the General Statutes, for a purchase of supplies, materials or equipment for the General Assembly if the total expenditures is less than the expenditure benchmark established under the provisions of G.S. 143-53.1, for group purchases made by hospitals, developmental centers, neuromedical treatment centers, and alcohol and drug abuse treatment centers through a competitive bidding purchasing program, as defined in G.S. 143-129, by the University of North Carolina Health Care System pursuant to G.S. 116-37(h), by the University of North Carolina Hospitals at Chapel Hill pursuant to G.S. 116-37(a)(4), by the University of North Carolina at Chapel Hill on behalf of the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill pursuant to G.S. 116-37(a)(4), or by East Carolina University on behalf of the Medical Faculty Practice Plan pursuant to G.S. 116-40.6(c).

All purchases of the above articles made directly by the departments, institutions and agencies of the State government shall, whenever possible, be based on competitive bids. Whenever an order is placed or contract awarded for such articles by any of the departments, institutions and agencies of the State government, a copy of such order or contract shall be forwarded to the Secretary of Administration and a record of the competitive bids upon which it was based shall be retained for inspection and review."

SECTION 7A.4.(r) G.S. 143-59.1(a) reads as rewritten:

"(a) ~~Ineligible Vendors.~~ – The Secretary of ~~Administration~~ Administration, State Chief Information Officer, and other entities to which this Article applies shall not contract for goods or services with either of the following:

....

SECTION 7A.4.(s) G.S. 143-129(e)(7) reads as rewritten:

"(e) Exceptions. – The requirements of this Article do not apply to:

...

(7) Purchases of information technology through contracts established by the ~~State Office of Department of Information Technology~~ as provided in ~~G.S. 147-33.82(b) and G.S. 147-33.92(b).~~ Article 14 of Chapter 143B of the General Statutes."

SECTION 7A.4.(t) G.S. 143-129.8(a) reads as rewritten:

"(a) In recognition of the complex and innovative nature of information technology goods and services and of the desirability of a single point of responsibility for contracts that include combinations of purchase of goods, design, installation, training, operation, maintenance, and related services, a political subdivision of the State may contract for information technology, as defined in ~~G.S. 147-33.81(2),~~ G.S. 143B-1300, using the procedure set forth in this section, in addition to or instead of any other procedure available under North Carolina law."

SECTION 7A.4.(u) G.S. 143-135.9(c) reads as rewritten:

"(c) Information Technology. – The acquisition of information technology by the State of North Carolina shall be conducted using the Best Value procurement method. For purposes of this section, business process reengineering, system design, and technology implementation may be combined into a single solicitation. For acquisitions which the procuring agency and the Division of Purchase and Contracts or the ~~Office~~ Department of Information Technology Services, Technology, as applicable, deem to be highly complex or determine that the optimal solution to the business problem at hand is not known, the use of Solution-Based Solicitation and Government-Vendor Partnership is authorized and encouraged. Any county, city, town, or subdivision of the State may acquire information technology pursuant to this section."

SECTION 7A.4.(v) G.S. 143-151.16(d) reads as rewritten:

"(d) The Board may contract with persons for the development and administration of the examinations required by G.S. 143-151.13(a), for course development related to the examinations, for review of a particular applicant's examination, and for other related services.

The person with whom the Board contracts may charge applicants a reasonable fee for the costs associated with the development and administration of the examinations, for course development related to the examinations, for review of the applicant's examinations, and for other related services. The fee shall be agreed to by the Board and the other contracting party. The amount of the fee under this subsection shall not exceed one hundred seventy-five dollars (\$175.00). Contracts for the development and administration of the examinations, for course development related to the examinations, and for review of examinations shall not be subject to Article 3, 3C, or 8 of Chapter 143 of the General Statutes or to ~~Article 3D of Chapter 147~~ Article 14 of Chapter 143B of the General Statutes. However, the Board shall: (i) submit all proposed contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars (\$1,000,000) authorized by this subsection to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all proposed contracts to be awarded by the Board under this subsection a standard clause which provides that the State Auditor and internal auditors of the Board may audit the records of the contractor during and after the term of the contract to verify accounts and data affecting fees and performance. The Board shall not award a cost plus percentage of cost agreement or contract for any purpose."

SECTION 7A.4.(w) G.S. 143-663(a) reads as rewritten:

"(a) The Board shall have the following powers and duties:

- ...
- (2) To develop and adopt uniform standards and cost-effective information technology, after thorough evaluation of the capacity of information technology to meet the present and future needs of the State and, in consultation with the ~~Office~~ Department of Information Technology Services, Technology, to develop and adopt standards for entering, storing, and transmitting information in criminal justice databases and for achieving maximum compatibility among user technologies.

...."

SECTION 7A.4.(x) G.S. 143B-146.13(a) reads as rewritten:

"(a) No later than December 15, 1998, the Secretary shall develop a school technology plan for the residential schools that meets the requirements of the State school technology plan. In developing a school technology plan, the Secretary is encouraged to coordinate its planning with other agencies of State and local government, including local school administrative units.

The ~~Office~~ Department of Information Technology Services shall assist the Secretary in developing the parts of the plan related to its technological aspects, to the extent that resources are available to do so. The Department of Public Instruction shall assist the Secretary in developing the instructional and technological aspects of the plan.

The Secretary shall submit the plan that is developed to the ~~Office~~ Department of Information Technology Services for its evaluation of the parts of the plan related to its technological aspects and to the Department of Public Instruction for its evaluation of the instructional aspects of the plan. The State Board of Education, after consideration of the evaluations of the ~~Office~~ Department of Information Technology Services and the Department of Public Instruction, shall approve all plans that comply with the requirements of the State school technology plan."

SECTION 7A.4.(y) G.S. 143B-951(a) reads as rewritten:

"(a) The Department of Public Safety may provide to the ~~Office~~ Department of Information Technology Services from the State and National Repositories of Criminal Histories the criminal history of any current or prospective employee, volunteer, or contractor of the ~~Office~~ Department of Information Technology Services, Technology. The ~~Office~~ Department of Information Technology Services shall provide to the Department of Public Safety, along with the request, the fingerprints of the current or prospective employee, volunteer, or contractor, a form signed by the current or prospective employee, volunteer, or contractor consenting to the criminal record check and use of fingerprints and other identifying information required by the State and National Repositories, and any additional information required by the Department of Public Safety. The fingerprints of the current or prospective employee, volunteer, or contractor shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal

history record check. The ~~Office-Department~~ of Information Technology ~~Services~~ shall keep all information obtained pursuant to this section confidential."

SECTION 7A.4.(z) G.S. 143C-1-1(d) reads as rewritten:

"(d) Definitions. – The following definitions apply in this Chapter:

...
(17) Information technology. – As defined in ~~G.S. 147-33.81(2)~~. G.S. 143B-1300.
....

SECTION 7A.4.(aa) G.S. 143C-2-5(a) reads as rewritten:

"(a) The Director of the Budget shall require the Office of State Budget and Management, with the support of the ~~Office-Department~~ of Information Technology ~~Services~~, Technology, to build and maintain a database and Web site for providing a single, searchable Web site on State spending for grants and contracts to be known as NC OpenBook."

SECTION 7A.4.(bb) G.S. 143C-2-6(a) reads as rewritten:

"(a) The Office of State Controller, the Department of Administration, and the ~~Office-Department~~ of Information Technology ~~Services~~ shall provide the Office of State Budget and Management with the statewide information on State contracts necessary for the development and maintenance of the database and Web site required by this Article, with the information updated at least monthly."

SECTION 7A.4.(cc) G.S. 143C-3-3(e) reads as rewritten:

"(e) Information Technology Request. – In addition to any other information requested by the ~~Director, State Chief Information Officer (State CIO)~~, any State agency requesting significant State resources, as defined by the ~~Director, State CIO~~, for the purpose of ~~acquiring~~ acquiring, operating, or maintaining information technology shall accompany that request with all of the following:

- (1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.
- (2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of ~~Article 3D of Chapter 147~~ Article 14 of Chapter 143B of the General Statutes, and any other factors relevant to the ~~analysis.~~ analysis, and in cases of an acquisition, an explanation of the method by which the acquisition is to be financed.
- (3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner. A statement setting forth the requirements for State resources, together with an evaluation of those requirements, including expected improvements to programmatic or business operations by the Secretary that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of the General Statutes, and any other factors relevant to the analysis.
- (4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General Assembly or the Administrative Office of the Courts."

SECTION 7A.4.(dd) G.S. 143C-3-5(b)(4) reads as rewritten:

"(4) The biennial State Information Technology Plan as outlined in ~~G.S. 147-33.72B~~ Part 2 of Article 14 of Chapter 143B of the General Statutes to be consistent in facilitating the goals outlined in the Recommended State Budget."

SECTION 7A.4.(ee) G.S. 150B-21.1(a)(10) reads as rewritten:

"(a) Adoption. – An agency may adopt a temporary rule when it finds that adherence to the notice and hearing requirements of G.S. 150B-21.2 would be contrary to the public interest and that the immediate adoption of the rule is required by one or more of the following:

...

- (10) The need for the State Chief Information Officer to implement the information technology procurement provisions of ~~Article 3D of Chapter 147 of Article 14 of Chapter 143B~~ of the General Statutes."

SECTION 7A.4.(ff) G.S. 150B-38 is amended by adding a new subsection to read:

"(i) Standards adopted by the State Chief Information Officer and applied to information technology as defined in G.S. 143B-1300."

SECTION 7A.4.(gg) G.S. 163-165.7 reads as rewritten:

"§ 163-165.7. Voting systems: powers and duties of State Board of Elections.

(a) Only voting systems that have been certified by the State Board of Elections in accordance with the procedures and subject to the standards set forth in this section and that have not been subsequently decertified shall be permitted for use in elections in this State. Those certified voting systems shall be valid in any election held in the State or in any county, municipality, or other electoral district in the State. Subject to all other applicable rules adopted by the State Board of Elections and, with respect to federal elections, subject to all applicable federal regulations governing voting systems, paper ballots marked by the voter and counted by hand shall be deemed a certified voting system. The State Board of Elections shall certify optical scan voting systems, optical scan with ballot markers voting systems, and direct record electronic voting systems if any of those systems meet all applicable requirements of federal and State law. The State Board may certify additional voting systems only if they meet the requirements of the request for proposal process set forth in this section and only if they generate either a paper ballot or a paper record by which voters may verify their votes before casting them and which provides a backup means of counting the vote that the voter casts. Those voting systems may include optical scan and direct record electronic (DRE) voting systems. In consultation with the ~~Office—Department of Information Technology Services; Technology~~, the State Board shall develop the requests for proposal subject to the provisions of this Chapter and other applicable State laws. Among other requirements, the request for proposal shall require at least all of the following elements:

- ...
- (6) With respect to all voting systems using electronic means, that the vendor provide access to all of any information required to be placed in escrow by a vendor pursuant to G.S. 163-165.9A for review and examination by the State Board of Elections; the ~~Office—Department of Information Technology Services; Technology~~; the State chairs of each political party recognized under G.S. 163-96; the purchasing county; and designees as provided in subdivision (9) of subsection (d) of this section.

...

(d) Subject to the provisions of this Chapter, the State Board of Elections shall prescribe rules for the adoption, handling, operation, and honest use of certified voting systems, including all of the following:

- ...
- (9) Notwithstanding G.S. 132-1.2, procedures for the review and examination of any information placed in escrow by a vendor pursuant to G.S. 163-165.9A by only the following persons:
- State Board of Elections.
 - ~~Office—Department of Information Technology Services; Technology.~~
 - The State chairs of each political party recognized under G.S. 163-96.
 - The purchasing county.

Each person listed in sub-subdivisions a. through d. of this subdivision may designate up to three persons as that person's agents to review and examine the information. No person shall designate under this subdivision a business competitor of the vendor whose proprietary information is being reviewed and examined. For purposes of this review and examination, any designees under this subdivision and the State party chairs shall be treated as public officials under G.S. 132-2.

....

SECTION 7A.4.(hh) G.S. 168A-3(4a) reads as rewritten:

"(4a) "Information technology" has the same meaning as in ~~G.S. 147-33.81~~. G.S. 143B-1300. The term also specifically includes information transaction machines."

ADMINISTRATIVE MATTERS/DIT

SECTION 7A.5. No action or proceeding, brought by or against the Office of Information Technology Services or the Office of the State Chief Information Officer that is pending when this Part becomes law, shall be affected by any provision of this act, but the same may be prosecuted or defended in the name of the Department of Information Technology (Department). In these actions and proceedings, the Department shall be substituted as a party upon proper application to the courts or other public bodies. Any business or other matter undertaken or commanded by the Office of Information Technology Services or the Office of the State Chief Information Officer regarding any State program, office, or contract or pertaining to or connected with its respective functions, powers, obligations, and duties that are pending on the date this Part becomes effective may be conducted and completed by the Department of Information Technology in the same manner and under the same terms and conditions and with the same effect as if conducted and completed by the former commission, director, or office. Unless otherwise specifically provided by this act, any previous assignment of duties within the purview of this act by the Governor or General Assembly shall have continued validity.

DIT EFFECTIVE DATE

SECTION 7A.6 Except as otherwise provided, this Part is effective when this act becomes law.

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.

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

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

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

SECTION 8.3.(h) Counties Containing a Base of the Armed Forces. – Notwithstanding any other provision of this section, for the 2015-2017 fiscal biennium, counties containing a base of the Armed Forces of the United States that have an average daily membership of more than 23,000 students shall receive the same amount of supplemental funding for low-wealth counties as received in the 2012-2013 fiscal year.

SECTION 8.3.(i) 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.(j) 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.(k) 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 school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local school administrative unit becomes ineligible.

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

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 school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local 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) Disadvantaged student supplemental funding (DSSF) shall be allotted to a local school administrative unit 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.

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."

STUDY NCVPS ALTERNATIVE FUNDING FORMULA

SECTION 8.11.(a) The State Board of Education shall study implementation of an alternative funding formula for the North Carolina Virtual Public School (NCVPS) 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. The study shall include consideration of the potential costs and benefits of (i) offering an alternative funding formula option for local boards of education to select and (ii) replacing the current NCVPS formula with a new formula applicable to all local boards of education participating in NCVPS.

SECTION 8.11.(b) The State Board of Education shall report the results of the study under subsection (a) of this section and any legislative recommendations to the Joint Legislative Education Oversight Committee by January 15, 2016.

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.

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 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.

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 establish the purposes for which the funds within the new Textbooks and Digital Resources funding allotment may be used for as follows: (i) to acquire textbooks as defined in G.S. 115C-85, which includes technology-based programs, and (ii) only for allowable expenditures as were permitted under the Textbooks funding allotment as of June 30, 2015.

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. 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.

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."

REPEAL UNNECESSARY STATE BOARD OF EDUCATION REPORTS

SECTION 8.25.(a) 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.(b) 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.(c) 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.(d) 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.(e) 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 their 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 SRRMS 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 a SRMP~~

pursuant to G.S. 115C-47(40). The Division and the 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.~~ 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.~~ 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 the Department of Public Safety, 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 February 1, 2016, 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 tenth grade. Notwithstanding any other provision of law, specified local school administrative units may offer one community college course to participating sophomore (tenth 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 conducted as part of the federal grant program under subsection (a) of this section 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 up to six million dollars (\$6,000,000) for the 2015-2016 fiscal year and up to 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 the grant period.
- (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 alternative 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) 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.

TEXTBOOKS AND DIGITAL RESOURCES ALLOTMENT/USE OF FUNDS

SECTION 8.33. G.S. 115C-105.25(c) reads as rewritten:

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

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

- (2) A description of each object code within a program report code, written in plain English, and a summary of the prior fiscal year's expenditure of State funds for each object code.
- (3) A description of each allotment transfer that increased or decreased the initial allotment amount by more than five percent (5%) and the educational priorities that necessitated the transfer.
- (4) A description of any transfer of funds from the textbooks and digital resources allotment into another allotment category with an explanation of why the transfer from the textbooks and digital resources allotment was made to a different allotment category.
- (5) A chart that clearly reflects how the local school administrative unit spent State funds."

STUDY ON JUVENILE LITERACY PROGRAM

SECTION 8.34.(a) The Joint Legislative Education Oversight Committee shall study the results of the Juvenile Literacy Center program established in Wake County. In conducting the study, the Committee shall do at least the following:

- (1) Examine the impact of the program on (i) improving basic literacy skills, (ii) reintegrating juveniles into schools, (iii) preventing criminal behavior and recidivism, (iv) developing overall academic skills, and (v) addressing problem behaviors in school.
- (2) Evaluate the existing program for potential expansion into other counties, including projected costs, feasibility of implementation, and recommendations for locations for additional programs.

SECTION 8.34.(b) The Committee shall report the results of its study and any recommendations on the expansion of the program, including proposed legislation, to the 2015 General Assembly upon the convening of the 2016 Regular Session.

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 8.37.(a) Notwithstanding G.S. 143C-6-4, the State Board of Education may, after consultation with the Office of State Budget and Management and the Fiscal Research Division, reorganize the Department of Public Instruction, if necessary, to implement the budget reductions for the 2015-2017 fiscal biennium. Consultation shall occur prior to requesting budgetary and personnel changes through the budget revision process. The State Board shall provide a current organization chart for the Department of Public Instruction in the consultation process and shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

SECTION 8.37.(b) In implementing budget reductions for the 2015-2017 fiscal biennium, the State Board of Education shall make no reduction to funding or positions for (i) the North Carolina Center for Advancement of Teaching and (ii) the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the Governor Morehead School, except that the State Board may, in its discretion, reduce positions at these institutions that have been vacant for more than 16 months. The State Board shall also make no reduction in funding to any of the following entities:

- (1) Communities in Schools of North Carolina, Inc.
- (2) Teach For America, Inc.
- (3) Beginnings for Parents of Children who are Deaf or Hard of Hearing, Inc.

LOCAL BOARDS OF EDUCATION/PERFORMANCE-BASED RIFS

SECTION 8.38.(a) G.S. 115C-325.4 is amended by adding a new subsection to read:

"(c) Local boards of education shall adopt a policy for implementing a reduction in force pursuant to subdivision (a)(15) of this section that includes the following criteria:

- (1) In determining which positions shall be subject to a reduction, a local board of education shall consider the following:
 - a. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and position inefficiencies; (iii) opportunities for combined work

- functions; and (iv) decreased student or other demands for curriculum, programs, operations, or other services.
- b. Organizational considerations, such as anticipated organizational needs of the local school administrative unit and program or school enrollment.
- (2) In identifying which teachers in similar positions shall be subject to a dismissal, demotion, or reduction to employment on a part-time basis under the policy, a local school administrative unit shall consider work performance and teacher evaluations."

SECTION 8.38.(b) G.S. 115C-325(e)(2) reads as rewritten:

"(2) Reduction in Force. –

a. A local board of education shall adopt a policy for implementing a reduction in force pursuant to sub-subdivision (e)(1)l. of this section that includes the following criteria:

1. In determining which positions shall be subject to a reduction, a local board of education shall consider the following:

I. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and position inefficiencies; (iii) opportunities for combined work functions; and (iv) decreased student or other demands for curriculum, programs, operations, or other services.

II. Organizational considerations, such as anticipated organizational needs of the local school administrative unit and program or school enrollment.

2. In identifying which teachers in similar positions shall be subject to a dismissal, demotion, or reduction to employment on a part-time basis under the policy, a local school administrative unit shall consider work performance and teacher evaluations.

b. Before recommending to a board the dismissal or demotion of the career employee pursuant to G.S. 115C-325(e)(1)l., the superintendent shall give written notice to the career employee by certified mail or personal delivery of his intention to make such recommendation and shall set forth as part of his or her recommendation the grounds upon which he or she believes such dismissal or demotion is justified. The notice shall include a statement to the effect that if the career employee within 15 days after receipt of the notice requests a review, he or she shall be entitled to have the proposed recommendations of the superintendent reviewed by the board. Within the 15-day period after receipt of the notice, the career employee may file with the superintendent a written request for a hearing before the board within 10 days. If the career employee requests a hearing before the board, the hearing procedures provided in G.S. 115C-325(j3) shall be followed. If no request is made within the 15-day period, the superintendent may file his or her recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if there is one, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such dismissal. Provisions of this section which permit a hearing by a hearing officer shall not apply to a dismissal or demotion recommended pursuant to G.S. 115C-325(e)(1)l.

When a career employee is dismissed pursuant to G.S. 115C-325(e)(1)l., above, his or her name shall be placed on a list of available career employees to be maintained by the board."

SECTION 8.38.(c) Effective June 30, 2018, G.S. 115C-325(e)(2), as amended by this section, is repealed.

DRIVER EDUCATION TRAINING

SECTION 8.39.(a) G.S. 115C-215(a) reads as rewritten:

"(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a standardized program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State or are receiving instruction through a home school as provided by Part 3 of Article 39 of Chapter 115C of the General Statutes, and (iv) have not previously enrolled in the program. The driver education program shall be for the purpose of making available public education to all students on driver safety and training. The State Board of Education shall use for this purpose all funds appropriated to it for this purpose and may use all other funds that become available for its use for this purpose."

SECTION 8.39.(b) G.S. 115C-216(g) reads as rewritten:

"(g) Fee for Instruction. – The local boards of education shall fund driver education courses from funds available to them and may charge each student participating in a driver education course a fee of up to sixty-five dollars (\$65.00) to offset the costs of providing the training and instruction. If a local board of education charges a fee for participation in a driver education course, the local board shall provide a process for reduction or waiver of that fee for students unable to pay the fee due to economic hardship."

SECTION 8.39.(c) G.S. 115C-105.25(b) is amended by adding a new subdivision to read:

"(11) No funds shall be transferred into the driver education allotment category."

SECTION 8.39.(d) Local boards of education shall report to the State Board of Education no later than December 15, 2015, on the following related to driver education programs offered by and through the local school administrative unit for the 2012-2013, 2013-2014, 2014-2015, and 2015-2016 school years, by year:

- (1) How driver education is provided. The local board of education shall provide detailed information regarding whether the driver education program is offered by the local school administrative unit or whether it contracts with an outside provider. If the local school administrative unit contracts with an outside provider to provide any portion of the driver education program, such as instruction, materials, or the fleet used for driver training, the unit shall provide a detailed summary of information as to the terms of the contract, what the unit is responsible for providing, and what the outside provider has contracted to provide, and a copy of all contracts related to driver education.
- (2) Total cost for the driver education program and per student cost for the program. The local board shall include a detailed explanation of expenditures of all funds associated with the driver education program, written in plain English.
- (3) How the fleet used for driver training is provided and maintained. If the local school administrative unit maintains its own fleet, information regarding the number of vehicles in the fleet, procurement, maintenance, and fuel cost of those vehicles, replacement cycle for the vehicles, and source of funds for the fleet.
- (4) Numbers of students eligible to participate in the driver education program, number of students participating in the program, and numbers of students successfully completing the program.
- (5) Materials used for instruction of the standardized driver education curriculum.
- (6) Methodology for transfer to agencies of student information related to driver education.
- (7) Role of parents and legal guardians in driver education instruction.

- (8) Process for filing and resolving complaints related to the driver education program. If the local school administrative unit has a process, the unit shall provide information on the numbers, types, and resolutions of filed complaints.
- (9) Assessments and evaluations used to determine quality and success of the driver education program.
- (10) Average and maximum length of time between classroom instruction and behind-the-wheel instruction.
- (11) Average and maximum number of classroom hours taught per day on regular school days and on any other day.
- (12) Average and maximum number of behind-the-wheel hours taught per day on regular school days and on any other day.
- (13) Process, if any, for reviewing driving records for driver education instructors.
- (14) Tracking, if any, of student outcomes when seeking a graduated drivers license. If the local school administrative unit tracks this information, the unit shall provide data on student outcomes, including numbers of students who successfully completed or unsuccessfully completed the written and driving portions of the graduated drivers license examination, respectively.
- (15) If fees are charged for driver education, fee waivers or reductions, if any, provided to students. If fee waivers or reductions are provided, the local school administrative unit should provide data on the policy for fee waivers or reductions, how many students are eligible for and use the waiver or reduction, and the amounts waived or reduced.

SECTION 8.39.(e) The State Board of Education shall report to the Joint Legislative Education Oversight Committee (Committee) on the information provided by local boards of education on driver education programs under subsection (d) of this section no later than February 15, 2016.

SECTION 8.39.(f) The Committee shall study the provision of driver education by examining information, findings, and recommendations in the following reports and any additional information that it deems necessary and relevant:

- (1) The National Highway Traffic Safety Administration report issued in May 2015, entitled "State of North Carolina: Technical Assessment of the Driver Education Program."
- (2) The North Carolina Driver Education Strategic Plan prepared in June 2012 by the Driver Education Advisory Committee of the State Board of Education.
- (3) The North Carolina's Driver Education Program Management Review prepared in November 2010 by the Office of State Budget and Management.
- (4) The Program Evaluation Division's report issued in March 2014, entitled "Performance Measurement and Monitoring Would Strengthen Accountability of North Carolina's Driver Education Program."
- (5) Information provided by local boards of education on driver education programs, as reported by the State Board of Education pursuant to subsection (e) of this section.

SECTION 8.39.(g) The Committee shall make recommendations, which may include proposed legislation, on the study required under subsection (f) of this section to the 2015 General Assembly upon its convening of the 2016 Regular Session on the following issues:

- (1) Lowering the cost of delivery for driver education.
- (2) Adjusting or removing fees for driver education.
- (3) The appropriate level of involvement for parents and legal guardians.
- (4) Appropriate level of involvement of the Department of Transportation, Division of Motor Vehicles.
- (5) Recommendations on alternate providers, such as community colleges or private entities.

SECTION 8.39.(h) Subsections (a), (b), and (c) of this section are effective July 1, 2016, and apply beginning with the 2016-2017 school year. Subsections (a), (b), and (c) of this

section are repealed effective December 31, 2017. The remainder of this section is effective when this act becomes law.

DPI REPORT ON THE EDUCATOR LICENSURE PROCESSING SYSTEM

SECTION 8.40. By October 15, 2016, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee regarding the operation of the educator licensure processing system, including implementation of the electronic processing of applications. The report shall include at least the following information:

- (1) The estimated processing time from receipt of application to issuance of a license in each category of licensure, including initial licensure, lateral entry licensure, renewal of a license through the automated electronic system, renewal of a license manually, out-of-state licensure reciprocity, and advanced degrees. The report shall include comparative data related to the processing of licenses in each licensure category prior to August 1, 2015.
- (2) The schedule of licensure fees and services, including any changes in the prior year made to the fee amounts or services for which fees are charged.
- (3) Any backlog of the processing of applications existing at the time of the report, including the categories of licensure experiencing such backlog.
- (4) Data for the following from the prior year:
 - a. Number of applications received and transactions completed.
 - b. Number of newly licensed educators.
 - c. Number of licensure renewals.
 - d. Demographic information regarding currently licensed educators.
 - e. Number of licenses issued by area of licensure and type of license.
 - f. Number of initial licenses for the following:
 1. Graduates of educator preparation programs.
 2. Lateral entry.
 3. International educators.
 4. Out-of-state educators seeking reciprocity.

MODIFY EDUCATOR PREPARATION PROGRAM APPROVAL PROCESS

SECTION 8.41.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"§ 115C-296.8. Educator preparation program approval process.

(a) The State Board of Education, as lead agency, in coordination and cooperation with the Board of Governors of The University of North Carolina, the State Board of Community Colleges, the North Carolina Independent Colleges and Universities, Inc., and such other public and private agencies as are necessary, shall establish standards for approval of educator preparation programs. Graduates of educator preparation programs operating in this State that have either (i) not been approved by the State Board or (ii) are not nationally accredited shall be ineligible for an initial license as a new, in-State approved program graduate.

(b) The standards for approval of educator preparation programs shall require that educator preparation program providers be either State-approved or nationally accredited. North Carolina program approval site visitors shall coordinate with educator preparation programs seeking national accreditation. State educator preparation program approval shall include the following components:

- (1) Adoption of rules for granting State approval to educator preparation programs and units. These rules shall mirror national accreditation in efforts to maintain the same level of quality preparation across programs. The rules shall include all content, pedagogy, and clinical requirements required by State law.
- (2) A State peer review process that includes highly qualified and trained members to adequately review programs within the State.
- (3) Technical assistance to educator preparation programs in efforts to do the following:
 - a. Improve education quality and educator preparation program performance.
 - b. Inform programs about the program approval process as part of educator preparation program performance based on outcome data.

- c. Assist with State and federal reporting process.
- d. Help build and maintain partnerships between elementary and secondary schools and educator preparation programs.

(c) The State Board of Education may place an approved educator preparation program provider on probationary status and require a plan for improvement on any of the unmet standards for the program, or revoke educator preparation program approval, for any of the following reasons:

- (1) Failing to report required information to the State Board of Education as part of the reporting requirement.
- (2) Offering misleading or false information about approved programs.
- (3) Accepting students into any part of an educator preparation program that is not approved by the State Board of Education.
- (4) Failing to comply with the educator preparation program review process.
- (5) Failing to meet standards for approval set forth by the State Board of Education.

"§ 115C-296.9. Minimum admissions requirements for educator preparation programs.

(a) Testing. – An undergraduate student seeking a degree in education shall attain passing scores on a preprofessional skills test prior to admission to an approved program in the State. The State Board of Education shall permit students to fulfill this requirement by achieving the prescribed minimum scores set by the State Board of Education for the Praxis Core tests or by achieving the appropriate required scores, as determined by the State Board of Education, on the verbal and mathematics portions of the SAT or ACT. The minimum combined verbal and mathematics score set by the State Board for the SAT shall be 1,100 or greater. The minimum composite score set by the State Board for the ACT shall be 24 or greater.

(b) Grade Point Average. – An approved educator preparation program in the State shall not admit an undergraduate student into an educator preparation program unless that student has earned a minimum cumulative grade point average of at least a 2.7. An approved educator preparation program shall ensure that the minimum cohort grade point average for each entering cohort to an educator preparation program is at least a 3.0.

"§ 115C-296.10. Content and pedagogy requirements.

(a) Content and Pedagogy Requirements for Educator Preparation Programs. – To ensure that educator preparation programs remain current and reflect a rigorous course of study that is aligned to State and national standards, the State Board of Education, in consultation with the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities, Inc., shall require that the rules for approval of educator preparation programs include the following requirements with demonstrated competencies:

- (1) All educator preparation programs shall include the following:
 - a. The identification and education of children with disabilities.
 - b. Positive management of student behavior and effective communication techniques for defusing and deescalating disruptive or dangerous behavior.
 - c. Demonstration of competencies in using digital and other instructional technologies to provide high-quality, integrated digital teaching and learning to all students.
- (2) Elementary education teacher education preparation programs shall include the following:
 - a. Adequate coursework in the teaching of reading, writing, and mathematics.
 - b. Assessment prior to licensure to determine if a student possesses the requisite knowledge in scientifically based reading, writing, and mathematics instruction that is aligned with the State Board's expectations.
 - c. Instruction in application of formative and summative assessments within the school and classroom setting through technology-based assessment systems available in North Carolina schools that measure and predict expected student improvement.
 - d. Instruction in integration of arts education across the curriculum.

- (3) Elementary and special education general curriculum teacher education preparation programs shall ensure that students receive instruction in early literacy intervention strategies and practices that are aligned with State and national reading standards and shall include the following:
 - a. Instruction in the teaching of reading, including a substantive understanding of reading as a process involving oral language, phonological and phonemic awareness, phonics, fluency, vocabulary, and comprehension. Instruction shall include appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students.
 - b. Instruction in evidence-based assessment and diagnosis of specific areas of difficulty with reading development and of reading deficiencies.
 - c. Instruction in appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students.
- (4) Middle and high school science teacher education preparation programs shall include adequate preparation in issues related to science laboratory safety.

(b) School Administrator Preparation Programs. – Rules for approval of school administrator preparation programs shall incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program.

"§ 115C-296.11. Clinical partnerships and practice in educator preparation programs.

(a) As used in this section, the following definitions shall apply:

- (1) Clinical educator. – An individual employed by an elementary or secondary school, including a classroom teacher, who assesses, supports, and develops a student's knowledge, skills, and professional disposition during the clinical experience.
- (2) Internship. – Part of a formal program to provide practical experience and training for beginners in the education profession.
- (3) Residency. – A specified period of time in which a person is employed by a local school administrative unit to gain practical experience and training in educator preparation.

(b) The State Board of Education, in consultation with the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities, Inc., shall adopt and establish rules for educator preparation that require at least the following:

- (1) Educator preparation programs shall establish and maintain collaborative, formalized partnerships with elementary and secondary schools that are focused on student achievement, continuous school improvement, and the professional development of elementary and secondary educators, as well as those preparing educators.
- (2) Educator preparation programs shall work collaboratively with elementary and secondary schools and enter into a memorandum of understanding with local school administrative units where students are placed. In the memorandum, the educator preparation program and the local school administrative unit shall:
 - a. Define the collaborative relationship between the educator preparation program and the local school administrative unit and how this partnership will be focused on continuous school improvement and student achievement.
 - b. Adopt a plan for collaborative teacher selection, orientation, and student placement.
 - c. Determine how information will be shared and verified between the educator preparation program and local school administrative unit.
- (3) Educator preparation programs shall ensure clinical educators who supervise students in residencies or internships meet the following requirements:
 - a. Be professionally licensed in the field of licensure sought by the student.
 - b. Have a minimum of three years of experience in a teaching role.

- c. Have been rated, through formal evaluations, at least at the "accomplished" level as part of the North Carolina Teacher Evaluation System and have met expectations as part of student growth in the field of licensure sought by the student.
- (4) Educator preparation programs shall require, in all programs leading to initial licensure, field experiences that include organized and sequenced engagement of students in settings that provide them with opportunities to observe, practice, and demonstrate knowledge and skills. The experiences shall be systematically designed and sequenced to increase the complexity and levels of engagement with which students apply, reflect upon, and expand their knowledge and skills.
- (5) Educator preparation programs shall require clinical practice in the form of residencies or internships in those fields for which they are approved by the State Board of Education. Residencies or internships shall be a minimum of 16 weeks. Residencies and internships may be over the course of two semesters and shall, to the extent practicable, provide student experiences at both the beginning and ending of the school year.
- (6) Educator preparation programs with a clinical practice component shall require, in addition to a content assessment, a nationally normed and valid pedagogy assessment to determine clinical practice performance. Passing scores and mastery criteria will be determined by the State Board of Education.

"§ 115C-296.12. Lateral entry teacher education preparation programs.

(a) It is the policy of the State of North Carolina to encourage lateral entry into the profession of teaching by skilled individuals from the private sector. Skilled individuals who choose to enter the profession of teaching laterally may be granted an initial teaching license for no more than three years and shall be required to obtain licensure required for those who have taught more than three years before contracting for a fourth year of service with any local school administrative unit in this State. The criteria and procedures for lateral entry shall include preservice training in all of the following areas:

- (1) The identification and education of children with disabilities.
- (2) Positive management of student behavior.
- (3) Effective communication for defusing and deescalating disruptive or dangerous behavior.
- (4) Safe and appropriate use of seclusion and restraint.

(b) The State Board of Education, in consultation with the State Board of Community Colleges and North Carolina Independent Colleges and Universities, Inc., may provide a competency-based program of study for lateral entry teachers to complete the coursework necessary to earn a teaching license. To this end, the State Board of Education, in consultation with the State Board of Community Colleges and North Carolina Independent Colleges and Universities, Inc., shall establish a competency-based program of study for lateral entry teachers to be implemented within the Community College System and at approved educator preparation programs at private, nonprofit two-year colleges. These programs shall meet standards set by the State Board of Education. To ensure that programs of study for lateral entry remain current and reflect a rigorous course of study that is aligned to State and national standards, the State Board of Education shall do all of the following to ensure that lateral entry personnel are prepared to teach:

- (1) Provide adequate coursework in the teaching of reading and mathematics for lateral entry teachers seeking certification in elementary education.
- (2) Assess lateral entry teachers prior to licensure to determine that they possess the requisite knowledge in scientifically based reading and mathematics instruction that is aligned with the State Board's expectations.
- (3) Prepare all lateral entry teachers to apply formative and summative assessments within the school and classroom setting through technology-based assessment systems available in North Carolina schools that measure and predict expected student improvement.
- (4) Require that lateral entry teachers demonstrate competencies in using digital and other instructional technologies to provide high-quality, integrated digital teaching and learning to all students.

(c) The State Board of Community Colleges and the State Board of Education shall jointly identify the community college courses and the educator preparation program courses that are necessary and appropriate for inclusion in the community college program of study for lateral entry teachers. To the extent possible, any courses that must be completed through an approved educator preparation program shall be taught on a community college campus or shall be available through distance learning. The State Board of Education shall identify the appropriate courses for a private, nonprofit two-year college to include in the program of study for lateral entry teachers.

(d) In order to participate in the community college or private, nonprofit two-year college program of study for lateral entry teachers, an individual must hold at least a bachelor's degree from a regionally accredited institution of higher education.

(e) An individual who successfully completes the lateral entry program of study and meets all other requirements of licensure set by the State Board of Education shall be recommended for a North Carolina teaching license.

(f) It is further the policy of the State of North Carolina to ensure that local boards of education can provide the strongest possible leadership for schools based upon the identified and changing needs of individual schools. The State Board of Education shall carefully consider a lateral entry program for school administrators to ensure that local boards of education will have sufficient flexibility to attract able candidates.

"§ 115C-296.13. Educator preparation program reporting.

(a) Annual Performance Reports. – The State Board of Education shall require all approved educator preparation programs, including master's degree programs in teacher preparation and master's degree programs in school administration, to submit annual performance reports. The performance reports shall provide the State Board of Education with a focused review of the programs and the current process of accrediting these programs in order to ensure that the programs produce graduates that are well prepared to teach.

(b) Required Elements. – The performance report for each educator preparation program in North Carolina shall follow a common format and include at least the following elements:

- (1) Quality of students entering the educator preparation program, including the average grade point average and average score on preprofessional skills tests that assess reading, writing, mathematics, and other competencies.
- (2) Graduation rates.
- (3) Time-to-graduation rates.
- (4) Average scores of graduates on professional and content area examination for the purpose of licensure.
- (5) Percentage of graduates receiving initial licenses.
- (6) Percentage of graduates hired as teachers.
- (7) Percentage of graduates remaining in teaching for four years.
- (8) Graduate satisfaction based on a common survey.
- (9) Employer satisfaction based on a common survey.
- (10) Effectiveness of teacher preparation program graduates.

(c) Submission of Annual Performance Reports. – Performance reports shall be provided annually to the Board of Governors of The University of North Carolina, the State Board of Education, and the boards of trustees of nonpublic postsecondary colleges. The State Board of Education shall review the educator preparation program performance reports each year the performance reports are submitted.

(d) Educator Preparation Program Report Card. – The State Board shall create a higher education educator preparation program report card reflecting the information collected in the annual performance reports for each North Carolina institution offering educator preparation programs. The report cards shall, at a minimum, summarize information reported on all of the performance indicators for the performance reports required by subsection (b) of this section.

(e) Annual State Board of Education Report. – The educator preparation program report cards shall be submitted to the Joint Legislative Education Oversight Committee on an annual basis by November 15.

(f) State Board of Education Action Based on Performance. – Based upon the performance reports and other criteria established by the State Board, the State Board may reward an educator preparation program, impose probationary status and plans of improvement on an educator preparation program, or revoke approval of an educator preparation program."

SECTION 8.41.(b) G.S. 115C-296(b) reads as rewritten:

"(b) ~~It is the policy of the State of North Carolina to maintain the highest quality teacher education programs and school administrator programs in order to enhance the competence of professional personnel licensed in North Carolina. To the end that teacher preparation programs are upgraded to reflect a more rigorous course of study, the~~ The State Board of Education, as lead agency in coordination and cooperation with the University Board of Governors, the State Board of Community Colleges and such other public and private agencies as are necessary, shall continue to refine the several licensure requirements, standards for approval of institutions of teacher education, standards for institution-based innovative and experimental programs, standards for implementing consortium-based teacher education, and standards for improved efficiencies in the administration of the approved programs [~~, as follows~~]:as follows:

...."
SECTION 8.41.(c) G.S. 115C-296(b)(2) is repealed.

SECTION 8.41.(d) G.S. 115C-296(b1) is repealed.

SECTION 8.41.(e) G.S. 115C-296(b2) is repealed.

SECTION 8.41.(f) G.S. 115C-296(c) is repealed.

SECTION 8.41.(g) G.S. 115C-296(c1) is repealed.

SECTION 8.41.(h) G.S. 115C-296(c2) is repealed.

SECTION 8.41.(i) G.S. 115C-296.7(g) reads as rewritten:

"(g) NC Teaching Corps members shall be granted lateral entry teaching licenses pursuant to ~~G.S. 115C-296(e)~~.G.S. 115C-296.12(a)."

SECTION 8.41.(j) G.S. 115C-309 reads as rewritten:

"§ 115C-309. Student teachers.

(a) ~~Student Teacher and Student Teaching Defined. – A "student teacher" is any student enrolled in an educator preparation program at an institution of higher education approved by the State Board of Education for the preparation of teachers who is jointly assigned by that institution and a local board of education to student teach under the direction and supervision of a regularly employed certified teacher.~~ clinical educator, as provided in G.S. 115C-296.11.

"Student teaching" may include those duties granted to a teacher by G.S. 115C-307 and any other part of the school program for which either the ~~supervising teacher~~ clinical educator or the principal is responsible.

(b) ~~Legal Protection. – A student teacher under the supervision of a certified licensed teacher or principal shall have the protection of the laws accorded the certified licensed teacher.~~

(c) ~~Assignment of Duties. – It shall be the responsibility of a supervising teacher, clinical educator, in cooperation with the principal and the representative of the teacher preparation institution, educator preparation program, to assign to the student teacher responsibilities and duties that will provide adequate preparation for teaching."~~

SECTION 8.41.(k) G.S. 115D-5(p) reads as rewritten:

"(p) The North Carolina Community College System may offer courses, in accordance with the lateral entry program of study established under ~~G.S. 115C-296(e1), G.S. 115C-296.12,~~ to individuals who choose to enter the teaching profession by lateral entry."

SECTION 8.41.(l) Educator preparation programs approved by the State Board of Education on or before the date this act becomes law shall meet the requirements of subsection (a) of this section no later than July 1, 2017. Educator preparation programs seeking approval by the State Board of Education after the date this act becomes law shall meet the requirements of subsection (a) of this section at the time approval is sought from the State Board of Education. The State Board of Education shall not require students enrolled in educator preparation programs that require a nationally normed and valid pedagogy assessment to determine clinical practice performance to provide scores for a pedagogy assessment based on multiple choice or constructed responses.

ACCESS FOR TEACHERS TO EVAAS DATA

SECTION 8.42.(a) Article 22 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-333.2. Teacher evaluation reports.

Each local school administrative unit shall ensure that individual teachers are provided access to school-level value-added data, the teacher's own value-added data, when applicable, and the teacher's evaluation dashboard through the Education Value-Added Assessment System

(EVAAS). The principal of each school shall notify teachers at least annually when EVAAS data has been updated to reflect teacher performance from the previous school year."

SECTION 8.42.(b) This section applies beginning with the 2015-2016 school year.

CERTAIN CIHS OPERATING WITHOUT ADDITIONAL FUNDS

SECTION 8.43. Beginning with the 2015-2016 school year and for subsequent school years thereafter, notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54, the Academy at High Point Central, the Academy at Ben L. Smith High School, STEM Early College at NC A&T State University, Middle College at the University of North Carolina at Greensboro, Vernon Malone College and Career Academy, and the Northeast Regional School of Biotechnology and Agriscience shall be permitted to operate in accordance with G.S. 115C-238.53 and G.S. 115C-238.54 as cooperative innovative high schools approved under G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of G.S. 115C-238.55.

CHANGE THE MANDATORY TRAINING FOR LOCAL BOARDS OF EDUCATION TO EVERY TWO YEARS

SECTION 8.44. G.S. 115C-50(a) reads as rewritten:

"(a) All members of local boards of education, whether elected or appointed, shall receive a minimum of 12 clock hours of training annually every two years. The 12 clock hours of training may be earned at any time during the two-year period and may include the ethics education required by G.S. 160A-87."

REPEAL EXTRACURRICULAR DUTIES RESTRICTION FOR TEACHERS WITH 27 OR MORE YEARS OF EXPERIENCE

SECTION 8.45. G.S. 115C-47(18a)b. is repealed.

LICENSURE FOR RETIRED SUBSTITUTE TEACHERS WITH AT LEAST 30 YEARS OF TEACHING EXPERIENCE

SECTION 8.46.(a) G.S. 115C-296(b)(1) reads as rewritten:

"(1) Licensure standards.

- a. The licensure program shall provide for initial licensure after completion of preservice training, continuing licensure after three years of teaching experience, and license renewal every five years thereafter, until the retirement of the teacher. The last license renewal received prior to retirement shall remain in effect for five years after retirement. The licensure program shall also provide for licensure based on teaching experience as follows:

1. Continuing licensure of a teacher as defined in G.S. 115C-325(6) who has (i) 30 or more years of teaching experience in North Carolina upon the date of retirement of the teacher and (ii) served as a substitute teacher at least once every three years since retirement.

2. ~~Lifetime~~Lifetime licensure after 50 years of teaching.

- b. The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and shall be aligned with high-quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include the following:

1. For all teachers, at least eight continuing education credits with at least three credits required in a teacher's academic subject area.

2. ~~Standards for continuing licensure for~~For elementary and middle school ~~teachers shall include~~teachers, at least three continuing education credits related to literacy. Literacy renewal credits shall include evidence-based assessment,

diagnosis, and intervention strategies for students not demonstrating reading proficiency. Oral language, phonemic and phonological awareness, phonics, vocabulary, fluency, and comprehension shall be addressed in literacy-related activities leading to license renewal for elementary school teachers.

3. For retired teachers serving as substitutes seeking a continuing license who qualify under sub-subdivision a. of this subdivision, at least 640 hours of documented substitute teaching each renewal cycle and eight hours of annual professional development approved by a local school administrative unit.

c. The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall (i) reevaluate and enhance the requirements for renewal of teacher licenses, ~~and~~ (ii) consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills, and (iii) integrate digital teaching and learning into the requirements for licensure renewal."

SECTION 8.46.(b) This section becomes effective the date the act becomes law and applies beginning with the 2015-2016 school year. An individual whose teaching license has expired shall be paid as if the individual held a current teaching license in the six months following the effective date of this section if all of the following conditions apply:

- (1) The individual meets the qualifications of G.S. 115C-296(b)(1)a.1., as enacted by this section.
- (2) The individual has served as a substitute teacher in the six months prior to the effective date of this section.
- (3) The individual indicates to the local school administrative unit in which the individual is employed that he or she is seeking to satisfy the professional development requirements for licensure renewal.

TEACHER ASSISTANT ALLOTMENT

SECTION 8.47.(a) G.S. 115C-105.25(b) is amended by adding a new subdivision to read:

"(3a) No funds shall be transferred out of the teacher assistants allotment category."

SECTION 8.47.(b) This act provides local school administrative units the dollar equivalent of teacher assistant positions based on the following ratios:

- (1) Two teacher assistants for every three classes in kindergarten.
- (2) One teacher assistant for every two classes in grades 1 and 2.
- (3) One teacher assistant for every three classes in grade 3.

For the 2015-2016 fiscal year, funds shall be distributed based on an estimated statewide average salary and benefits per position and an average class size of 21 students in membership per classroom.

READING CAMPS OFFERED TO FIRST AND SECOND GRADE STUDENTS

SECTION 8.48.(a) G.S. 115C-83.3(4a) reads as rewritten:

"(4a) "Reading camp" means an additional educational program outside of the instructional calendar provided by the local school administrative unit to (i) any third grade student who does not demonstrate reading proficiency and (ii) any first or second grade student who demonstrates reading comprehension below grade level as identified through administration of formative and diagnostic assessments in accordance with G.S. 115C-83.6. Parents or guardians of the student not demonstrating reading proficiency or demonstrating reading comprehension below grade level shall make the final decision regarding the student's reading camp attendance. Reading camps shall (i) offer at least 72 hours of reading instruction to yield positive reading outcomes for participants; (ii) be taught

by compensated, licensed teachers selected based on demonstrated student outcomes in reading ~~proficiency~~; proficiency or in improvement of difficulties with reading development; and (iii) allow volunteer mentors to read with students at times other than during the 72 hours of reading instruction. The 72 hours of reading instruction shall be provided over no less than three weeks for students in schools using calendars other than year-round calendars."

SECTION 8.48.(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. Parents or guardians of first and second grade students demonstrating reading comprehension below grade level as identified through assessments administered pursuant to this subsection shall be encouraged to enroll their student in a reading camp provided by the local school administrative unit. Parents or guardians of a student identified as demonstrating reading comprehension below grade level shall make the final decision regarding a student's reading camp attendance.

(a1) 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."

SECTION 8.48.(c) G.S. 115C-83.10 reads as rewritten:

"§ 115C-83.10. Accountability measures.

(a) Each local board of education shall publish annually on a Web site maintained by that local school administrative unit and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

- (1) The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.
- (2) The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.
- (3) The number and percentage of third grade students retained for not demonstrating reading proficiency.
- (4) The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.7(b).
- (5) The number and percentage of first grade students demonstrating and not demonstrating reading comprehension at grade level.
- (6) The number and percentage of second grade students demonstrating and not demonstrating reading comprehension at grade level.

(b) Each local board of education shall report annually in writing to the State Board of Education by September 1 of each year a description of all reading interventions provided to students who have been retained under G.S. 115C-83.7(a). The local board of education shall also include in the report the number of first and second grade students attending a reading camp offered by the local board.

(c) The State Board of Education shall establish a uniform format for local boards of education to report the required information listed in subsections (a) and (b) of this section and shall provide the format to local boards of education no later than 90 days prior to the annual due date. The State Board of Education shall compile annually this information and submit a

State-level summary to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee by October 15 of each year, beginning with the ~~2014-2015~~2015-2016 school year.

(d) The State Board of Education and the Department of Public Instruction shall provide technical assistance as needed to aid local school administrative units to implement all provisions of this Part."

SECTION 8.48.(d) G.S. 115C-83.11 reads as rewritten:

"§ 115C-83.11. **Continued support for students demonstrating reading proficiency, proficiency and appropriate reading development.**

(a) Parents or guardians of a student demonstrating reading proficiency appropriate for a third grade student as provided under G.S. 115C-83.7 or a first or second grade student demonstrating appropriate developmental abilities in reading comprehension may choose to enroll the student in the reading camp as defined in G.S. 115C-83.3(4a) but may be charged an attendance fee. Local boards of education may establish a fee amount to be equal to the per student program cost of participating in the reading camp, not to exceed eight hundred twenty-five dollars (\$825.00).

(b) Priority enrollment in the reading camp is for (i) third grade students not demonstrating reading proficiency as provided under ~~G.S. 115C-83.8~~G.S. 115C-83.8 and (ii) first and second grade students demonstrating reading comprehension below grade level under G.S. 115C-83.6. Local boards of education shall establish application procedures and enrollment priorities for reading camps for students demonstrating reading proficiency."

SECTION 8.48.(e) Notwithstanding G.S. 115C-83.10, as amended by subsection (c) of this section, the State Board of Education and local boards of educations shall include initial information on first and second grade students in the reports required under G.S. 115C-83.10 by October 15, 2016, and September 1, 2016, respectively.

SECTION 8.48.(f) This section is effective beginning with the 2015-2016 school year.

PART VIII-A. LEGISLATIVE FINDINGS, DIRECTION, AUTHORITY, AND RESOURCES TO ENSURE THAT ALL STUDENTS HAVE THE OPPORTUNITY TO RECEIVE A SOUND BASIC EDUCATION

LEGISLATIVE FINDINGS

SECTION 8A.1.(a) The General Assembly finds that some local boards of education have failed to comply with the requirements of the judiciary's decisions in *Leandro* to provide all public school students the opportunity to receive a sound basic education. Notwithstanding a history of adequate State and local funding and legislatively-granted flexibility in administration, management, and employment at the local level to provide tools to facilitate compliance with *Leandro*, some local boards of education have failed to take actions sufficient to:

- (1) Prevent education bureaucracies from interfering with and overriding accountability measures and education reforms required by State law.
- (2) Properly administer the public schools.
- (3) Provide high-quality principals in every school and high-quality teachers in every classroom.

SECTION 8A.1.(b) It is the intent of the General Assembly in this act to provide the following additional direction, authority, and resources to local boards of education and to the State Board of Education to enable them to correct these deficiencies:

- (1) Clarify the role of local boards of education to ensure that their main focus is to provide each public school student with the opportunity to receive a sound basic education, and that all policy decisions should be made with that objective in mind, including employment decisions, budget development, and other administrative actions.
- (2) Direct the State Board of Education not to allow waivers of State laws and rules that permit local boards to avoid accountability measures and education reforms required by the State.
- (3) Provide additional teacher positions to transition to a lower class size in first grade which, according to research, is optimal for learning at this critical time.

- (4) Facilitate the identification of low-performing schools and low-performing local school administrative units.
- (5) Provide the State Board of Education with authority to consolidate local school administrative units in contiguous counties as necessary to ensure that all school systems have the size, expertise, and other resources necessary to provide their students with the opportunity to receive a sound basic education.
- (6) Provide forty-one million eight hundred forty-six thousand one hundred twenty-three dollars (\$41,846,123) in additional funds to increase the base teacher salary paid by the State by six and one-tenth percent (6.1 %).

DUTY OF LOCAL BOARDS OF EDUCATION TO PROVIDE STUDENTS WITH THE OPPORTUNITY TO RECEIVE A SOUND BASIC EDUCATION

SECTION 8A.2. G.S. 115C-47(1) reads as rewritten:

"(1) ~~To Provide an Adequate School System, the Opportunity to Receive a Sound Basic Education.~~ - It shall be the duty of local boards of education to provide adequate school systems students with the opportunity to receive a sound basic education and to make all policy decisions with that objective in mind, including employment decisions, budget development, and other administrative actions, within their respective local school administrative units, as directed by law."

CLASS SIZE IN KINDERGARTEN THROUGH THIRD GRADE

SECTION 8A.3.(a) G.S. 115C-301 reads as rewritten:

"§ 115C-301. Allocation of teachers; class size.

(a) Request for Funds. – The State Board of Education, based upon the reports of local boards of education and such other information as the State Board may require from local boards, shall determine for each local school administrative unit the number of teachers and other instructional personnel to be included in the State budget request.

(b) Allocation of Positions. – The State Board of Education is authorized to adopt rules to allot instructional personnel and teachers, within funds appropriated.

(c) Maximum Class Size for Kindergarten Through Third Grade. – The average class size for kindergarten through third grade in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement.

(d), (e) Repealed by Session Laws 2013-363, s. 3.3(a), effective July 1, 2013.

(f) Second Month Reports. – At the end of the second month of each school year, each local board of education, through the superintendent, shall file a report for each school within the school unit with the State Board of Education. The report shall be filed in a format prescribed by the State Board of Education and shall include the organization for each school, the duties of each teacher, the size of each class, and such other information as the State Board may require. As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size maximums in kindergarten through third grade that occur at that time.

(g) Waivers and Allotment Adjustments. – Local boards of education shall report exceptions to the class size requirements set out for kindergarten through third grade and significant increases in class size at other grade levels to the State Board and shall request allotment adjustments at any grade level, waivers from the requirements for kindergarten through third grade, or both. Within 45 days of receipt of reports, the State Board of Education, within funds available, may allot additional positions at any grade level. The State Board shall not grant waivers for the excess class size in kindergarten through third grade, except under the following circumstances: (i) emergencies or acts of God that impact the availability of classroom space or facilities; (ii) an unanticipated increase in student population of an individual school in excess of two percent (2%) of the average daily membership of that school; (iii) organizational problems in geographically isolated local school administrative units

in which the average daily membership is less than one and one-half per square mile; (iv) classes organized for a solitary curricular area; or (v) a charter school closure.

(h) State Board Rules. – The State Board of Education shall adopt rules necessary for the implementation of this section.

(i) Repealed by Session Laws 2013-363, s. 3.3(a), effective July 1, 2013.

(j) Penalty for Noncompliance. – If the State Board of Education determines that a local superintendent has willfully failed to comply with the requirements of this section, no State funds shall be allocated to pay the superintendent's salary for the period of time the superintendent is in noncompliance. The local board of education shall continue to be responsible for complying with the terms of the superintendent's employment contract."

SECTION 8A.3.(b) Notwithstanding G.S. 115C-301, as amended by this section, and any other provision of law, for the 2015-2016 and 2016-2017 school years, class size requirements in kindergarten through third grade shall remain unchanged.

IDENTIFICATION OF LOW-PERFORMING SCHOOLS AND UNITS

SECTION 8A.4.(a) G.S. 115C-105.35(c) is repealed.

SECTION 8A.4.(b) G.S. 115C-105.37 reads as rewritten:

"§ 115C-105.37. Identification of low-performing schools.

(a) Identification of Low-Performing Schools. – The State Board of Education shall design and implement a procedure to identify low-performing schools on an annual basis. Low-performing schools are those in which there is a failure to meet the minimum growth standards, as defined by the State Board, and a majority of students are performing below grade level. Low-performing schools are those that receive a school performance grade of D or F and a school growth score of "met expected growth" or "not met expected growth" as defined by G.S. 115C-83.15.

(a1) By July 10 of each year, each local school administrative unit shall do a preliminary analysis of test results to determine which of its schools the State Board may identify as low-performing under this section. Plan for Improvement of Low-Performing Schools. – If a school has been identified as low-performing as provided in this section and the school is not located in a local school administrative unit identified as low-performing under G.S. 115C-105.39A, the following actions shall be taken:

(1) The superintendent then shall proceed under G.S. 115C-105.39.

(2) In addition, within Within 30 days of the initial identification of a school as low-performing by the local school administrative unit or the State Board, whichever occurs first, the State Board, the superintendent shall submit to the local board of education a preliminary plan for addressing the needs of that school, improving both the school performance grade and school growth score, including how the superintendent and other central office administrators will work with the school and monitor the school's progress.

(3) Within 30 days of its receipt of this the preliminary plan, the local board shall vote to approve, modify, or reject this plan. Before the local board makes this vote, votes on the preliminary plan, it shall make the plan available to the public, including the personnel assigned to that school and the parents and guardians of the students who are assigned to the school, and shall allow for written comments.

(4) The local board shall submit the a final plan to the State Board within five days of the local board's vote. approval of the plan. The State Board shall review the plan expeditiously and, if appropriate, may offer recommendations to modify the plan. The local board shall consider any recommendations made by the State Board. Board and, if necessary, amend the plan and vote on approval of any changes to the final plan.

(5) The local board of education shall provide access to the final plan on the local school administrative unit's Web site. The State Board of Education shall also provide access to each low-performing school plan on the Department of Public Instruction's Web site.

(b) Parental Notice of Low-Performing School Status. – Each school that the State Board identifies as low-performing shall provide written notification to the parents and guardians of students attending that school, school within 30 days of the identification that includes the following information:

- (1) ~~The written notification shall include a~~ statement that the State Board of Education has found that the school has ~~"failed to meet the minimum growth standards, as defined by the State Board, and a majority of students in the school are performing below grade level."~~received a school performance grade of D or F and a school growth score of "met expected growth" or "not met expected growth" and has been identified as a low-performing school as defined by G.S. 115C-105.37." The statement shall include an explanation of the school performance grades and growth scores.
- (2) ~~This notification also shall include information~~The school performance grade and growth score received.
- (3) ~~Information about the preliminary plan developed under subsection (a1) of this section and a section and the availability of the final plan on the local school administrative unit's Web site.~~
- (4) ~~The meeting date for when the preliminary plan will be considered by the local board of education.~~
- (5) ~~A description of any additional steps the school is taking to improve student performance."~~

SECTION 8A.4.(c) Article 8B of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-105.39A. Identification of low-performing local school administrative units.

(a) Identification of Low-Performing Local School Administrative Units. – The State Board of Education shall identify low-performing local school administrative units on an annual basis. A low-performing local school administrative unit is a unit in which the majority of the schools in that unit that received a school performance grade and school growth score as provided in G.S. 115C-83.15 have been identified as low-performing schools, as provided in G.S. 115C-105.37.

(b) Plan for Improvement of Low-Performing Local School Administrative Units. – Once a local school administrative unit has been identified as low-performing under this section, the following actions shall be taken:

- (1) The superintendent shall proceed under G.S. 115C-105.39.
- (2) Within 30 days of the identification of a local school administrative unit as low-performing by the State Board, the superintendent shall submit to the local board of education a preliminary plan for improving both the school performance grade and school growth score of each low-performing school in the unit, including how the superintendent and other central office administrators will work with each low-performing school and monitor the low-performing school's progress and how current local school administrative unit policy should be changed to improve student achievement throughout the local school administrative unit.
- (3) Within 30 days of its receipt of the preliminary plan, the local board shall vote to approve, modify, or reject this plan. Before the local board votes on the plan, it shall make the plan available to the public, including the personnel assigned to each low-performing school and the parents and guardians of the students who are assigned to each low-performing school, and shall allow for written comments.
- (4) The local board shall submit a final plan to the State Board within five days of the local board's approval of the plan. The State Board shall review the plan expeditiously and, if appropriate, may offer recommendations to modify the plan. The local board shall consider any recommendations made by the State Board and, if necessary, amend the plan and vote on approval of any changes to the final plan.
- (5) The local board of education shall provide access to the final plan on the local school administrative unit's Web site. The State Board of Education shall also provide access to each low-performing local school administrative unit plan on the Department of Public Instruction's Web site.

(c) Parental Notice of Low-Performing Local School Administrative Unit Status. – Each local school administrative unit that the State Board identifies as low-performing shall provide written notification to the parents and guardians of all students attending any school in

the local school administrative unit within 30 days of the identification that includes the following information:

- (1) A statement that the State Board of Education has found that a majority of the schools in the local school administrative unit have "received a school performance grade of D or F and a school growth score of "met expected growth" or "not met expected growth" and have been identified as low-performing schools as defined by G.S. 115C-105.37." The statement shall also include an explanation of the school performance grades and school growth scores.
- (2) The percentage of schools identified as low-performing.
- (3) Information about the preliminary plan developed under subsection (b) of this section and the availability of the final plan on the local school administrative unit's Web site.
- (4) The meeting date for when the preliminary plan will be considered by the local board of education.
- (5) A description of any additional steps the local school administrative unit and schools are taking to improve student performance.
- (6) For notifications sent to parents and guardians of students attending a school that is identified as low-performing under G.S. 115C-105.37, a statement that the State Board of Education has found that the school has "received a school performance grade of D or F and a school growth score of "met expected growth" or "not met expected growth" and has been identified as a low-performing school as defined by G.S. 115C-105.37." This notification also shall include the school performance grade and school growth score the school received and an explanation of the school performance grades and school growth scores."

STATE BOARD AUTHORITY TO CONSOLIDATE CONTIGUOUS COUNTY SCHOOL ADMINISTRATIVE UNITS

SECTION 8A.5. Article 7 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-66.5. Merger of county school administrative units by the State Board of Education.

(a) Consolidation and Merger. – The State Board of Education shall have the authority to consolidate and merge contiguous county school administrative units or a group of county school administrative units in which each county unit is contiguous with at least one other county unit in the group. The State Board shall adopt a written plan setting forth the conditions of the merger. A merger of county units and reorganization of those units under this section shall not have the effect of abolishing any special taxes that may have been voted in any such units.

(b) Effective Date. – The merger shall become effective on July 1 immediately following the earlier of the thirty-first legislative day or the day of adjournment of the next regular session of the General Assembly that begins at least 25 days after the date the State Board approved the merger. If a bill that specifically disapproves the merger is introduced in either house of the General Assembly before the thirty-first legislative day of that session, the merger becomes effective on the July 1 immediately following the earlier of either the day an unfavorable final action is taken on the bill or the day that session of the General Assembly adjourns without ratifying a bill that specifically disapproves the merger. A merger that is specifically disapproved by a bill enacted into law before it becomes effective does not become effective.

(c) Legislative Disapproval of Merger. – A bill specifically disapproves a merger if it contains a provision that refers to the written plan of merger and states that the merger is disapproved. Notwithstanding any rule of either house of the General Assembly, any member of the General Assembly may introduce a bill during the first 30 legislative days of any regular session to disapprove a merger that has been approved by the State Board and that has not become effective."

LIMIT LOCAL BOARD OF EDUCATION WAIVERS

SECTION 8A.6.(a) G.S. 115C-105.26 reads as rewritten:

"§ 115C-105.26. ~~Waivers of State laws, rules, or policies.~~ laws or rules.

~~(a) When included as part of a school improvement plan accepted under G.S. 115C-105.27, local boards of education shall submit requests for waivers of State laws, rules, or policies to the State Board of Education. A~~ Except as otherwise provided for in this section, the State Board of Education shall not grant waivers of State laws or rules to local boards of education. If permitted under this section, a request for a waiver by a local board of education shall (i) identify the school or schools making the request, (ii) identify the State laws, rules, or policies that inhibit the school's ability to improve student performance, law or rule requesting to be waived, (iii) set out with specificity the circumstances under which the waiver may be used, and (iv) explain how the requested waiver will permit the school to improve student performance.

~~Except as provided in subsection (e) of this section, the State Board shall grant waivers only for the specific schools for which they are requested and shall be used only under the specific circumstances for which they are requested.~~

~~(b) When requested as part of a school improvement plan, the~~ The State Board of Education may grant waivers of to local boards of education of State laws and rules pertaining to the following:

- ~~(1) State laws pertaining to class~~ Class size and teacher certification; and requirements only as provided in G.S. 115C-301(g).
- ~~(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and in Part 3 of Article 22 of this Chapter, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System.~~
- ~~(3) School calendar requirements in order to provide sufficient days to accommodate anticipated makeup days due to school closings only as provided in G.S. 115C-84.2(d).~~

~~(e) The State Board also may grant requests received from local boards for waivers of State laws, rules, or policies that affect the organization, duties, and assignment of central office staff only. However, none of the duties to be performed under G.S. 115C-436 may be waived.~~

~~(e1) The State Board also may grant requests received from local boards for waivers of State laws, rules, or policies that require that each local school administrative unit provide at least one alternative school or at least one alternative learning program.~~

~~(d) Notwithstanding subsections (b) and (e) of this section, the State Board shall not grant waivers of G.S. 115C-12(16)b. regarding the placement of State allotted office support personnel, teacher assistants, and custodial personnel on the salary schedule adopted by the State Board.~~

~~(e) Notwithstanding subsection (b) of this section, the State Board may grant requests received from local boards for waivers of State laws, rules, or policies pertaining to the placement of principals on the State salary schedule for public school administrators in order to provide financial incentives to encourage principals to accept employment in a school that has been identified as low performing under G.S. 115C-105.37. The State Board shall act on requests under this subsection at the first Board meeting following receipt of each request.~~

~~(f) Except as provided in subsection (e) of this section, the~~ The State Board shall act within 60 days of receipt of all requests for waivers under this section.

~~(g) The State Board shall, on a regular basis, review all waivers it has granted to determine whether any rules should be repealed or modified or whether the Board should recommend to the General Assembly the repeal or modification of any laws.~~

~~(h) By October 15 of each year, the State Board shall report to the Joint Legislative Education Oversight Committee with a list of the specific waivers granted to each local board of education under this section. The State Board may include any legislative recommendations identified under subsection (g) of this section in its report."~~

SECTION 8A.6.(b) This section applies beginning with the 2015-2016 school year.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2015-2016 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2015-2016 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0-4	\$3,500
5-9	3,650
10-14	4,000
15-19	4,350
20-24	4,650
25+	5,000.

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

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

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

SECTION 9.1.(e) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 9.1.(f) A teacher compensated in accordance with this salary schedule for the 2015-2016 school year shall receive an amount equal to the greater of the following:

- (1) The applicable amount on the salary schedule for the applicable school year.
- (2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:
 - a. The teacher's salary provided in S.L. 2013-360, Sec. 35.11.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in S.L. 2013-360, Sec. 35.11, based on the teacher's current years of service.
 - c. The annual bonus provided in S.L. 2014-100, Sec. 9.1(e).

- (3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the teacher's salary and annual bonus provided in S.L. 2014-100, Sec. 9.1.

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 monthly 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

Years of Exp	Classification				
	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-9	\$3,909	-	-	-	-
10	\$3,977	-	-	-	-
11	\$4,123	-	-	-	-
12	\$4,240	-	-	-	-
13	\$4,323	\$4,323	-	-	-
14	\$4,377	\$4,377	-	-	-
15	\$4,434	\$4,434	\$4,489	-	-
16	\$4,489	\$4,489	\$4,547	-	-
17	\$4,547	\$4,547	\$4,606	\$4,665	-
18	\$4,606	\$4,606	\$4,665	\$4,726	\$4,788
19	\$4,665	\$4,665	\$4,726	\$4,788	\$4,851
20	\$4,726	\$4,726	\$4,788	\$4,851	\$4,918
21	\$4,788	\$4,788	\$4,851	\$4,918	\$4,983
22	\$4,851	\$4,851	\$4,918	\$4,983	\$5,050
23	\$4,918	\$4,918	\$4,983	\$5,050	\$5,119
24	\$4,983	\$4,983	\$5,050	\$5,119	\$5,188
25	\$5,050	\$5,050	\$5,119	\$5,188	\$5,263
26	\$5,119	\$5,119	\$5,188	\$5,263	\$5,335
27	\$5,188	\$5,188	\$5,263	\$5,335	\$5,409
28	\$5,263	\$5,263	\$5,335	\$5,409	\$5,483
29	\$5,335	\$5,335	\$5,409	\$5,483	\$5,561
30	\$5,409	\$5,409	\$5,483	\$5,561	\$5,641
31	\$5,483	\$5,483	\$5,561	\$5,641	\$5,722
32	\$5,561	\$5,561	\$5,641	\$5,722	\$5,794
33	\$5,641	\$5,641	\$5,722	\$5,794	\$5,909
34	\$5,722	\$5,722	\$5,794	\$5,909	\$6,027
35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148
36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271
37	-	\$6,027	\$6,148	\$6,271	\$6,396
38	-	-	\$6,271	\$6,396	\$6,524
39	-	-	\$6,396	\$6,524	\$6,654
40	-	-	-	\$6,654	\$6,787
41	-	-	-	\$6,787	\$6,923
42	-	-	-	-	\$7,061

2015-2016 Principal and Assistant Principal Salary Schedules

Years of Exp	Classification			
	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-19	\$4,918	-	-	-
20	\$4,983	-	-	-
21	\$5,050	\$5,119	-	-
22	\$5,119	\$5,188	\$5,335	-
23	\$5,188	\$5,263	\$5,409	\$5,483
24	\$5,263	\$5,335	\$5,483	\$5,561
25	\$5,335	\$5,409	\$5,561	\$5,641

26	\$5,409	\$5,483	\$5,641	\$5,722
27	\$5,483	\$5,561	\$5,722	\$5,794
28	\$5,561	\$5,641	\$5,794	\$5,909
29	\$5,641	\$5,722	\$5,909	\$6,027
30	\$5,722	\$5,794	\$6,027	\$6,148
31	\$5,794	\$5,909	\$6,148	\$6,271
32	\$5,909	\$6,027	\$6,271	\$6,396
33	\$6,027	\$6,148	\$6,396	\$6,524
34	\$6,148	\$6,271	\$6,524	\$6,654
35	\$6,271	\$6,396	\$6,654	\$6,787
36	\$6,396	\$6,524	\$6,787	\$6,923
37	\$6,524	\$6,654	\$6,923	\$7,061
38	\$6,654	\$6,787	\$7,061	\$7,202
39	\$6,787	\$6,923	\$7,202	\$7,346
40	\$6,923	\$7,061	\$7,346	\$7,493
41	\$7,061	\$7,202	\$7,493	\$7,643
42	\$7,202	\$7,346	\$7,643	\$7,796
43	\$7,346	\$7,493	\$7,796	\$7,952
44	-	\$7,643	\$7,952	\$8,111
45	-	\$7,796	\$8,111	\$8,273
46+	-	-	\$8,273	\$8,438

SECTION 9.2.(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 the 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 paid on the State Salary Schedule in the 2013-2014 school year and employed on July 1, 2015, who does not receive a salary increase 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 2015-2017 fiscal biennium, beginning July 1, 2015.

School Administrator I	\$ 3,391	\$ 6,323
School Administrator II	\$ 3,592	\$ 6,704
School Administrator III	\$ 3,811	\$ 7,110
School Administrator IV	\$ 3,962	\$ 7,391
School Administrator V	\$ 4,120	\$ 7,689
School Administrator VI	\$ 4,368	\$ 8,151
School Administrator VII	\$ 4,542	\$ 8,478

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

SECTION 9.3.(b) The monthly salary ranges that follow apply to public school superintendents for the 2015-2017 fiscal biennium, beginning July 1, 2015.

Superintendent I	\$ 4,819	\$ 8,991
Superintendent II	\$ 5,113	\$ 9,532
Superintendent III	\$ 5,422	\$ 10,109
Superintendent IV	\$ 5,752	\$ 10,721
Superintendent V	\$ 6,102	\$ 11,372

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

SECTION 9.3.(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.

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.4. The annual salary for permanent full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall remain unchanged for the 2015-2017 fiscal biennium.

NO PAY LOSS FOR TEACHERS WHO BECOME ADMINISTRATORS OR ASSISTANT PRINCIPALS WHO BECOME PRINCIPALS

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."

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, (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 December 1, 2015, on FTE for the summer 2015 term.

SECTION 10.5.(c) This section 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.

YOUTH CAREER CONNECT PROGRAM

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

SECTION 10.11.(b) South Piedmont Community College shall not earn budget FTE for student course enrollments supported with this grant.

SECTION 10.11.(c) This section expires June 30, 2018.

CAREER- AND COLLEGE-READY GRADUATES

SECTION 10.13.(a) The State Board of Community Colleges, in consultation with the State Board of Education, shall develop a program for implementation in the 2016-2017 school year that introduces the college developmental mathematics and developmental reading and English curriculums in the high school senior year and provides opportunities for college remediation for students prior to high school graduation through cooperation with community college partners. Students who are enrolled in the Occupational Course of Study to receive their high school diplomas shall not be required to participate in the program or be required to take mandatory remedial courses as provided for in this section, unless a parent specifically requests through the individualized education program (IEP) process that the student participates. The program shall require the following:

- (1) Establishment by the State Board of Community Colleges of measures for determining student readiness and preparation for college coursework by using ACT scores, student grade point averages, or other measures currently used by the State Board of Community Colleges to determine college readiness for entering students.
- (2) Changes in curriculum, policy, and rules as needed by the State Board of Community Colleges and State Board of Education to make remedial courses mandatory for students who do not meet readiness indicators by their junior year to ensure college readiness prior to high school graduation. These changes shall include the flexibility for students to fulfill senior

- mathematics and English graduation requirements through enrollment in mandatory remedial courses or to enroll in those courses as electives.
- (3) High schools to use curriculum approved by the State Board of Community Colleges, in consultation with the State Board of Education.
 - (4) Determinations by the State Board of Community Colleges on the following:
 - a. Appropriate measures of successful completion of the remedial courses to ensure students are prepared for coursework at a North Carolina community college without need for further remediation in mathematics or reading and English.
 - b. The length of time following high school graduation in which a student who successfully completed high school remedial courses will not be required to enroll in developmental courses at a North Carolina community college.
 - (5) Delivery of remedial courses by high school faculty consistent with policies adopted by the State Board of Community Colleges and the State Board of Education. The policies shall include, at a minimum, the following requirements:
 - a. High school faculty teaching the approved remedial courses must successfully complete training requirements as determined by the State Board of Community Colleges, in consultation with the State Board of Education.
 - b. The North Carolina Community College System shall provide oversight of the remedial courses to ensure appropriate instructional delivery.

SECTION 10.13.(b) The State Board of Community Colleges and the State Board of Education shall report on progress of implementation of the program statewide, including the requirements in subsection (a) of this section, to the Joint Legislative Education Oversight Committee no later than March 15, 2016.

NC WORKS CAREER COACHES

SECTION 10.14.(a) Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"§ 115D-21.5. NC Works Career Coach Program.

(a) Purpose. – There is established the NC Works Career Coach Program to place community college career coaches in high schools to assist students with determining career goals and identifying community college programs that would enable students to achieve these goals.

(b) Memorandum of Understanding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college shall enter into a memorandum of understanding for the placement of career coaches employed by the board of trustees of the community college in schools within the local school administrative unit. At a minimum, the memorandum of understanding shall include the following:

- (1) Requirement that the community college provides the following:
 - a. Hiring, training, and supervision of career coaches. The board of trustees may include a local board of education liaison on the hiring committee to participate in the decision making regarding hiring for the coach positions.
 - b. Salary, benefits, and all other expenses related to the employment of the career coach. The coach will be an employee of the board of trustees and will not be an agent or employee of the local board of education.
 - c. Development of pedagogical materials and technologies needed to enhance the advising process.
 - d. Criminal background checks required by the local school administrative unit for employees working directly with students.
 - e. Agreement that, while on any school campus, the career coach will obey all local board of education rules and will be subject to the authority of the school building administration.

- (2) Requirement that the local school administrative unit provides the following to career coaches:
- a. Access to student records, as needed to carry out the coach's job responsibilities.
 - b. Office space on site appropriate for student advising.
 - c. Information technology resources, including, but not limited to, Internet access, telephone, and copying.
 - d. Initial school orientation and ongoing integration into the faculty and staff community.
 - e. Promotion of school-wide awareness of coach duties.
 - f. Facilitation of coach's access to individual classes and larger assemblies for the purposes of awareness-building.
- (c) Application for NC Works Career Coach Program Funding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college jointly may apply for available funds for NC Works Career Coach Program funding from the State Board of Community Colleges. The State Board of Community Colleges shall establish a process for award of funds as follows:
- (1) Advisory committee. – Establishment of an advisory committee, which shall include representatives from the NC Community College System, the Department of Public Instruction, the NC Works initiative located in the Department of Commerce, and at least three representatives of the business community, to review applications and make recommendations for funding awards to the State Board.
 - (2) Application submission requirements. – The State Board of Community Colleges shall require at least the following:
 - a. Evidence of a signed memorandum of understanding that meets, at a minimum, the requirements of this section.
 - b. Evidence that the funding request will be matched dollar-for-dollar with local funds. Matching funds may come from public or private sources.
 - (3) Awards criteria. – The State Board of Community Colleges shall develop criteria for consideration in determining the award of funds that shall include the following:
 - a. Consideration of the workforce needs of business and industry in the region.
 - b. Targeting of resources to enhance ongoing economic activity within the community college service area and surrounding counties.
 - c. Geographic diversity of awards.
- (d) Annual Report. –
- (1) The board of trustees of a community college that employs one or more career coaches shall report annually to the State Board of Community Colleges on implementation and outcomes of the program, including the following information:
 - a. Number of career coaches employed.
 - b. Number of local school administrative units served and names of schools in which career coaches are placed.
 - c. Number of students annually counselled by career coaches.
 - d. Impact of career coaches on student choices, as determined by a valid measure selected by the State Board of Community Colleges.
 - (2) The State Board of Community Colleges shall report annually no later than October 1 to the Joint Legislative Education Oversight Committee on the following:
 - a. A compilation of the information reported by the board of trustees of community colleges, as provided in subdivision (1) of this subsection.
 - b. Number and names of partnership applicants for NC Works Career Coach Program funding.
 - c. Number, names, and amounts of those awarded NC Works Career Coach Program funding."

SECTION 10.14.(b) The State Board of Community Colleges shall begin accepting applications for available funds for NC Works Career Coach Program funding no later than December 15, 2015, and shall select the initial recipients for the award of funds no later than February 22, 2016.

SECTION 10.14.(c) The funds appropriated under this act to the Community Colleges System Office for the 2015-2017 fiscal biennium to match non-State funds to implement the NC Works Career Coach Program shall only be used for salary and benefits for NC Works Career Coaches.

PART XI. UNIVERSITIES

USE OF ESCHEAT FUNDS FOR STUDENT FINANCIAL AID PROGRAMS/TECHNICAL CORRECTIONS

SECTION 11.1.(a) The funds appropriated by this act from the Escheat Fund for the 2015-2017 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; 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 for student financial aid remain uncommitted 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 (SEAA) shall conduct periodic evaluations of expenditures of the student financial aid programs administered by SEAA 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, and the President of the Community College System regarding their respective student financial aid programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

SECTION 11.1.(c) 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 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 11.1.(d) G.S. 116B-6 reads as rewritten:

"§ 116B-6. Administration of Escheat Fund; Escheat Account.

...

(g) Additional Funds for Refunds. – If at any time the amount of the refund reserve shall be insufficient to make refunds required to be made, the Treasurer, in addition, may use all current receipts derived from escheated or abandoned property, exclusive of earnings and profits on investments of the Escheat Fund and the Escheat Account, for the purpose of making such refunds; and if all such funds shall be inadequate for such refunds, the Treasurer may apply to the Council of State, pursuant to the ~~Executive State~~ Budget Act, to the limit of funds available from the Contingency and Emergency Fund, for a loan, without interest, to supply any deficiencies, in whole or in part. No receipts derived from escheated or abandoned property, other than earnings or profits on investments, shall be paid to the Authority until: (i) all valid claims for refund have been paid; (ii) the reserve for refund shall equal five million dollars (\$5,000,000); and (iii) the amount loaned from the Contingency and Emergency Fund shall have been repaid by the Escheat Fund.

(h) Expenditures. – The Treasurer may expend the funds in the Escheat Fund, other than funds in the Escheat Account, for the payment of claims for refunds to owners, holders and claimants under G.S. 116B-4; for the payment of costs of maintenance and upkeep of abandoned or escheated property; costs of preparing lists of names of owners of abandoned property to be furnished to clerks of superior court; costs of notice and publication; costs of appraisals; fees of persons employed pursuant to G.S. 116B-8 costs involved in determining

whether a decedent died without heirs; fees of persons employed pursuant to G.S. 116B-8 to conduct audits; costs of a title search of real property that has escheated; and costs of auction or sale under this Chapter. All other costs, including salaries of personnel, necessary to carry out the duties of the Treasurer under this Chapter, shall be appropriated from the funds of the Escheat Fund pursuant to the provisions of ~~Article 1, Chapter 143~~ Chapter 143C of the General Statutes.

...."

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. For any cash balances placed on deposit with a bank in the form of traditional demand or time deposits, such as checking, savings, or certificate of deposit accounts, these cash balances shall be secured by deposit insurance, surety bonds, or investment securities satisfying the rules or regulations prescribed under G.S. 147-79."

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.(a) A constituent institution as defined in G.S. 116-2 shall not expend more than one million dollars (\$1,000,000) of State funds on advancement programs. Constituent institutions shall take reasonable actions to increase the reliance of advancement programs on funds generated from fund-raising activities.

SECTION 11.6.(b) This section applies to the 2016-2017 fiscal year and each subsequent fiscal year.

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) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly study and evaluate how a deferred admission program, to be known as the North Carolina Guaranteed Admission Program (NCGAP), for students identified as academically at risk and designed pursuant to subsection (c) of this section, would address the issues and help achieve the goals set out in subsection (a) of this section. In its study the Board of Governors and State Board of Community Colleges shall also consider the best procedure for implementing NCGAP and the fiscal impact it may have with respect to enrollment.

SECTION 11.7.(c) NCGAP shall be a deferred admission program that requires a student who satisfies the admission criteria of a 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.

SECTION 11.7.(d) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall report their finding and recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by March 1, 2016. The report shall include an analysis of the fiscal impact NCGAP may have with regard to enrollment at constituent institutions of The University of North Carolina and at community colleges, the number of students who may participate in NCGAP, and its effect on FTEs.

SECTION 11.7.(e) Based on the analysis conducted by the Board of Governors and the State Board of Community Colleges pursuant to subsection (b) of this section and the

recommendations made pursuant to subsection (d) of this section, each constituent institution shall design a deferred admission program as part of NCGAP for implementation at the institution. The institution shall design the program so that it may be implemented at the institution beginning with the 2016-2017 fiscal year and applied to the institution's admission process for the 2017-2018 academic year and each subsequent academic year.

SECTION 11.7.(f) 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.(g) NCGAP shall be implemented at all constituent institutions and all community colleges beginning with the 2016-2017 fiscal year and shall apply to admissions policies at each constituent institution and community college beginning with the 2017-2018 academic year and each subsequent academic year.

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

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 November 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 15, 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on the selection of the nonprofit corporation by February 1, 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) Beginning with the 2016-2017 fiscal year, of the funds appropriated for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated each fiscal year to the State Education Assistance Authority to award grants to selected recipients.

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).
- ~~e.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 and each subsequent 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. The President of The University of North Carolina shall report each quarter of the 2015-2017 fiscal biennium 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 lines 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. The first quarterly report required by this section shall be made no later than January 1, 2016.

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)."

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 March 1, 2017, 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.

SEAA FUNDS FOR ADMINISTRATION OF SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM

SECTION 11.18. Section 5(b) of S.L. 2013-364, as amended by Section 3.2 of S.L. 2013-363, reads as rewritten:

"SECTION 5.(b) Of the funds allocated 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%)~~ four percent (4%) 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.

WESTERN GOVERNORS UNIVERSITY CHALLENGE GRANT

SECTION 11.20. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the sum of two million dollars (\$2,000,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used as a challenge grant to Western Governors University to raise the sum of five million dollars (\$5,000,000) in private funds for the 2016-2017 fiscal year to establish a North Carolina campus. The allocation of two million dollars (\$2,000,000) under this section is contingent upon receipt by Western Governors University of five million dollars (\$5,000,000) in private funds for the purpose of establishing a North Carolina campus.

The Board of Governors shall disburse the challenge grant funds of two million dollars (\$2,000,000) to Western Governors University upon notification and appropriate documentation that the sum of five million dollars (\$5,000,000) in private funds has been raised pursuant to this section.

HUNT INSTITUTE/NO GENERAL FUNDS

SECTION 11.21. Notwithstanding any other provision of law, no monies from the General Fund shall be used for the support of The Hunt Institute which is an affiliate of the University of North Carolina at Chapel Hill.

CENTRALIZED PROCESS TO DETERMINE RESIDENCY FOR TUITION PURPOSES

SECTION 11.23. It is the intent of the General Assembly to establish a coordinated and centralized process for residency determination that enables efficiencies within the public sectors of higher education and that simplifies the process while enhancing accuracy and consistency of outcomes. The State Education Assistance Authority (SEAA) is hereby authorized to perform all functions necessary to implement the coordinated and centralized process to apply the criteria in G.S. 116-143.1 to determine residency for tuition purposes of students who apply for admission and are admitted to a constituent institution of The University of North Carolina or a community college under the jurisdiction of the State Board of Community Colleges and for students who apply for State-funded financial aid to attend eligible private postsecondary institutions so that the process will be fully functional for terms of enrollment commencing after December 31, 2016.

The University of North Carolina General Administration and the North Carolina Community College System shall take the necessary actions to facilitate an orderly transition from the campus-based residency determination system to the coordinated and centralized process authorized in this section. Each of the Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer shall expeditiously cooperate with the SEAA in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the SEAA for the purposes of classifying an individual as a resident for tuition purposes. The SEAA shall consult with representatives of The University of North Carolina General Administration, the North Carolina Community College System, and the North Carolina Independent Colleges and Universities in implementing the centralized process.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

CREATION OF OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY WITHIN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 12A.3.(a) 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. Employees of the OPERA shall be subject to the North Carolina Human Resources Act only as provided in G.S. 126-5(c1)(31).

"§ 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 Secretary of Health and Human Services effective 30 days after written notification 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, primarily for the purpose of assessing accurate return on investment, 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."

SECTION 12A.3.(b) G.S. 126-5(c1) is amended by adding a new subdivision to

read:

"§ 126-5. Employees subject to Chapter; exemptions.

...
 (c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

- ...
 (31) Employees of the Office of Program Evaluation Reporting and Accountability of the Department of Health and Human Services."

HEALTH INFORMATION TECHNOLOGY

SECTION 12A.4.(a) The Department of Health and Human Services (Department), in cooperation with the State Chief Information Officer (State CIO), shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The goal of the DHHS CIO 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, in cooperation with the Department of Information Technology created by this act, 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 shall provide a written report on the status of HIT efforts to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The 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) Efforts by the DHHS CIO 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.

FUNDS FOR OVERSIGHT AND ADMINISTRATION OF STATEWIDE HEALTH INFORMATION EXCHANGE NETWORK

SECTION 12A.5.(a) It is the intent of the General Assembly to do all of the following with respect to health information exchange:

- (1) Establish a successor HIE Network to which (i) all Medicaid providers shall be connected by February 1, 2018, and (ii) all other entities that receive State funds for the provision of health services, including local management entities/managed care organizations, shall be connected by June 1, 2018.
- (2) Establish (i) a State-controlled Health Information Exchange Authority to oversee and administer the successor HIE Network and (ii) a Health Information Exchange Advisory Board to provide consultation to the Authority on matters pertaining to administration and operation of the HIE Network and on statewide health information exchange, generally.
- (3) Have the successor HIE Network gradually become and remain one hundred percent (100%) receipt-supported by establishing reasonable participation fees and by drawing down available matching funds whenever possible.

SECTION 12A.5.(b) In order to achieve the objectives described in subsection (a) of this section, funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2015-2016 fiscal year and for the 2016-2017 fiscal year to continue efforts toward the implementation of a statewide health information exchange network shall be transferred to the Department of Information Technology. By 30 days after the effective date of this section, the Secretary of the Department of Health and Human Services and the State Chief Information Officer (State CIO) shall enter into a written memorandum of understanding pursuant to which the State CIO will have sole authority to direct the expenditure of these funds until (i) the North Carolina Health Information Exchange Authority (Authority) is established and the State CIO has appointed an Authority Director and (ii) the North Carolina Health Information Exchange Advisory Board (Advisory Board) is established with members appointed pursuant to Article 29B of Chapter 90 of the General Statutes, as enacted by subsection (d) of this section. The State CIO shall use these transferred funds to accomplish the following:

- (1) Beginning immediately upon receipt of the transferred funds, facilitate the following:
 - a. Establishment of the successor HIE Network described in subsection (a) of this section.
 - b. Termination or assignment to the Authority by February 29, 2016, of any contracts pertaining to the HIE Network established under Article 29A of Chapter 90 of the General Statutes (i) between the State and the NC HIE and (ii) between the NC HIE and any third parties.
- (2) Fund the monthly operational expenses incurred or encumbered by the NC HIE from July 1, 2015, until February 29, 2016. Notwithstanding any other provision of law to the contrary, the total amount of monthly operating expenses paid for with these funds shall not exceed one hundred seventy-seven thousand dollars (\$177,000) per month or a total of one million four hundred sixteen thousand dollars (\$1,416,000) for the eight-month period commencing July 1, 2015, and ending February 29, 2016. The State CIO shall terminate payments for these monthly operational expenses upon the earlier of February 29, 2016, or upon the termination or assignment to the Authority of all contracts pertaining to the HIE Network established under Article 29A of Chapter 90 of the General Statutes (i) between the State and the NC HIE and (ii) between the NC HIE and any third parties.

The State CIO is encouraged to explore all available opportunities for the State to receive federal grant funds and federal matching funds for health information exchange.

SECTION 12A.5.(c) Once the Authority Director has been hired and the Advisory Board has been established with members appointed pursuant to Article 29B of Chapter 90 of the General Statutes, as enacted by subsection (d) of this section, the Authority shall use these funds to do the following:

- (1) Fund the operational expenses of the Authority and the Advisory Board.
- (2) Establish, oversee, administer, and provide ongoing support of a successor HIE Network to the HIE Network established under Article 29A of Chapter 90 of the General Statutes.
- (3) Enter into any contracts necessary for the establishment, administration, and operation of the successor HIE Network.
- (4) Facilitate the termination or assignment to the Authority by February 29, 2016, of any contracts pertaining to the HIE Network established under Article 29A of Chapter 90 of the General Statutes (i) between the State and the NC HIE and (ii) between the NC HIE and any third parties.
- (5) Fund the monthly operational expenses incurred or encumbered by the NC HIE from July 1, 2015, until February 29, 2016. Notwithstanding any other provision of law to the contrary, the total amount of monthly operating expenses paid for with these funds shall not exceed one hundred seventy-seven thousand dollars (\$177,000) per month or a total of one million four hundred sixteen thousand dollars (\$1,416,000) for the eight-month period commencing July 1, 2015, and ending February 29, 2016. The Authority shall terminate payments for these monthly operational expenses upon the earlier of February 29, 2016, or upon the termination or assignment to the Authority of all contracts pertaining to the HIE Network established under Article 29A of Chapter 90 of the General Statutes (i) between the State and the NC HIE and (ii) between the NC HIE and any third parties.

The Authority is encouraged to explore all available opportunities for the State to receive federal grant funds and federal matching funds for health information exchange.

SECTION 12A.5.(d) Chapter 90 of the General Statutes is amended by adding a new Article to read:

"Article 29B.

"Statewide Health Information Exchange Act.

"§ 90-414.1. Title.

This act shall be known and may be cited as the "Statewide Health Information Exchange Act."

"§ 90-414.2. Purpose.

This Article is intended to improve the quality of health care delivery within this State by facilitating and regulating the use of a voluntary, statewide health information exchange network for the secure electronic transmission of individually identifiable health information among health care providers, health plans, and health care clearinghouses in a manner that is consistent with the Health Insurance Portability and Accountability Act, Privacy Rule and Security Rule, 45 C.F.R. §§ 160, 164.

"§ 90-414.3. Definitions.

The following definitions apply in this Article:

- (1) Business associate. – As defined in 45 C.F.R. § 160.103.
- (2) Business associate contract. – The documentation required by 45 C.F.R. § 164.502(e)(2) that meets the applicable requirements of 45 C.F.R. § 164.504(e).
- (3) Covered entity. – Any entity described in 45 C.F.R. § 160.103 or any other facility or practitioner licensed by the State to provide health care services.
- (4) Department. – North Carolina Department of Health and Human Services.
- (5) Disclose or disclosure. – The release, transfer, provision of access to, or divulging in any other manner an individual's protected health information through the HIE Network.
- (6) Emergency medical condition. – A medical condition manifesting itself by acute symptoms of sufficient severity, including severe pain, such that the absence of immediate medical attention could reasonably be expected to result in (i) placing an individual's health in serious jeopardy, (ii) serious

- impairment to an individual's bodily functions, or (iii) serious dysfunction of any bodily organ or part of an individual.
- (7) GDAC. – The North Carolina Government Data Analytics Center.
- (8) HIE Network. – The voluntary, statewide health information exchange network overseen and administered by the Authority.
- (9) HIPAA. – The Health Insurance Portability and Accountability Act of 1996, P.L. 104-191, as amended.
- (10) Individual. – As defined in 45 C.F.R. § 160.103.
- (11) North Carolina Health Information Exchange Advisory Board or Advisory Board. – The Advisory Board established under G.S. 90-414.8.
- (12) North Carolina Health Information Exchange Authority or Authority. – The entity established pursuant to G.S. 90-414.7.
- (13) Opt out. – An individual's affirmative decision communicated in writing to disallow his or her protected health information maintained by the Authority from being disclosed to other covered entities or other persons or entities through the HIE Network.
- (14) Protected health information. – As defined in 45 C.F.R. § 160.103.
- (15) Public health purposes. – The public health activities and purposes described in 45 C.F.R. § 164.512(b).
- (16) Qualified organization. – An entity with which the Authority has contracted for the sole purpose of facilitating the exchange of data with or through the HIE Network.
- (17) Research purposes. – Research purposes referenced in and subject to the standards described in 45 C.F.R. § 164.512(i).
- (18) State CIO. – The State Chief Information Officer.

"§ 90-414.4. Required participation in HIE Network for some providers.

(a) The General Assembly makes the following findings:

- (1) That controlling escalating health care costs of the Medicaid program and other State-funded health services is of significant importance to the State, its taxpayers, its Medicaid recipients, and other recipients of State-funded health services.
- (2) That the State needs timely access to certain demographic and clinical information pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds in order to assess performance, improve health care outcomes, pinpoint medical expense trends, identify beneficiary health risks, and evaluate how the State is spending money on Medicaid and other State-funded health services.
- (3) That making demographic and clinical information available to the State by secure electronic means as set forth in subsection (b) of this section will, with respect to Medicaid and other State-funded health care programs, improve care coordination within and across health systems, increase care quality for such beneficiaries, enable more effective population health management, reduce duplication of medical services, augment syndromic surveillance, allow more accurate measurement of care services and outcomes, increase strategic knowledge about the health of the population, and facilitate health care cost containment.

(b) Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2 and as a condition of receiving State funds, including Medicaid funds, the following entities shall submit at least twice daily, through the HIE network, demographic and clinical information pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds, solely for the purposes set forth in subsection (a) of this section:

- (1) Each hospital, as defined in G.S. 131E-76(3), that has an electronic health record system.
- (2) Each Medicaid provider.
- (3) Each provider that receives State funds for the provision of health services.
- (4) Each local management entity/managed care organization, as defined in G.S. 122C-3.

The daily submissions required under this subsection shall be by connection to the HIE Network periodic asynchronous secure structured file transfer or any other secure electronic means commonly used in the industry and consistent with document exchange and data submission standards established by the Office of the National Coordinator for Information Technology within the U.S. Department of Health and Human Services.

"§ 90-414.5. State agency and legislative access to HIE Network data.

(a) The Authority shall provide the Department and the State Health Plan for Teachers and State Employees secure, real-time access to data and information disclosed through the HIE Network, solely for the purposes set forth in subsection (a) of this section and in G.S. 90-414.2. The Authority shall limit access granted to the State Health Plan for Teachers and State Employees pursuant to this section to data and information disclosed through the HIE Network that pertains to services (i) rendered to teachers and State employees and (ii) paid for by the State Health Plan.

(b) At the written request of the Director of the Fiscal Research, Bill Drafting, Research, or Program Evaluation Division of the General Assembly for an aggregate analysis of the data and information disclosed through the HIE Network, the Authority shall provide the professional staff of these Divisions with such aggregated analysis responsive to the Director's request. Prior to providing the Director or General Assembly's staff with any aggregate data or information submitted through the HIE Network or with any analysis of this aggregate data or information, the Authority shall redact any personal identifying information in a manner consistent with the standards specified for de-identification of health information under the HIPAA Privacy Rule, 45 C.F.R. § 164.514, as amended.

"§ 90-414.6. State ownership of HIE Network data.

Any data pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries submitted through and stored by the HIE Network pursuant to G.S. 90-414.4 or any other provision of this Article shall be and will remain the sole property of the State. Any data or product derived from the aggregated, de-identified data submitted to and stored by the HIE Network pursuant to G.S. 90-414.4 or any other provision of this Article, shall be and will remain the sole property of the State. The Authority shall not allow data it receives pursuant to G.S. 90-414.4 or any other provision of this Article to be used or disclosed by or to any person or entity for commercial purposes or for any other purpose other than those set forth in G.S. 90-414.4(a) or G.S. 90-414.2.

"§ 90-414.7. North Carolina Health Information Exchange Authority.

(a) Creation. – There is hereby established the North Carolina Health Information Exchange Authority to oversee and administer the HIE Network in accordance with this Article. The Authority shall be located within the Department of Information Technology and shall be under the supervision, direction, and control of the State CIO. The State CIO shall employ an Authority Director and may delegate to the Authority Director all powers and duties associated with the daily operation of the Authority, its staff, and the performance of the powers and duties set forth in subsection (b) of this section. In making this delegation, however, the State CIO maintains the responsibility for the performance of these powers and duties.

(b) Powers and Duties. – The Authority has the following powers and duties:

- (1) Oversee and administer the HIE Network in a manner that ensures all of the following:
 - a. Compliance with this Article.
 - b. Compliance with HIPAA and any rules adopted under HIPAA, including the Privacy Rule and Security Rule.
 - c. Compliance with the terms of any participation agreement, business associate agreement, or other agreement the Authority or qualified organization or other person or entity enters into with a covered entity participating in submission of data through or accessing the HIE Network.
 - d. Notice to the patient by the healthcare provider or other person or entity about the HIE Network, including information and education about the right of individuals on a continuing basis to opt out or rescind a decision to opt out.

- e. Opportunity for all individuals whose data has been submitted to the HIE Network to exercise on a continuing basis the right to opt out or rescind a decision to opt out.
 - f. Nondiscriminatory treatment by covered entities of individuals who exercise the right to opt out.
 - g. Facilitation of HIE Network interoperability with electronic health record systems of all covered entities listed in G.S. 90-414.4(b).
 - h. Minimization of the amount of data required to be submitted under G.S. 90-414(b) and any use or disclosure of such data to what is determined by the Authority to be required in order to advance the purposes set forth in G.S. 90-414.2 and G.S. 90-414(a).
- (2) In consultation with the Advisory Board, set guiding principles for the development, implementation, and operation of the HIE Network.
 - (3) Employ staff necessary to carry out the provisions of this Article and determine the compensation, duties, and other terms and conditions of employment of hired staff.
 - (4) Enter into contracts pertaining to the oversight and administration of the HIE Network, including contracts of a consulting or advisory nature. G.S. 143-64.20 does not apply to this subdivision.
 - (5) Establish fees for participation in the HIE Network and report the established fees to the General Assembly, with an explanation of the fee determination process.
 - (6) Following consultation with the Advisory Board, develop, approve, and enter into, directly or through qualified organizations acting under the authority of the Authority, written participation agreements with persons or entities that participate in or are granted access or user rights to the HIE Network. The participation agreements shall set forth terms and conditions governing participation in, access to, or use of the HIE Network not less than those set forth in agreements already governing covered entities' participation in the federal eHealth Exchange. The agreement shall also require compliance with policies developed by the Authority pursuant to this Article or pursuant to applicable laws of the state of residence for entities located outside of North Carolina.
 - (7) Receive, access, add, and remove data submitted through and stored by the HIE Network in accordance with this Article.
 - (8) Following consultation with the Advisory Board, enter into, directly or through qualified organizations acting under the authority of the Authority, a HIPAA compliant business associate agreement with each of the persons or entities participating in or granted access or user rights to the HIE Network.
 - (9) Following consultation with the Advisory Board, grant user rights to the HIE Network to business associates of covered entities participating in the HIE Network (i) at the request of the covered entities and (ii) at the discretion of and subject to contractual, policy, and other requirements of the Authority upon consideration of and consistent with the business associates' legitimate need for utilizing the HIE Network and privacy and security concerns.
 - (10) Facilitate and promote use of the HIE Network by covered entities.
 - (11) Actively monitor compliance with this Article by the Department, covered entities, and any other persons or entities participating in or granted access or user rights to the HIE Network or any data submitted through or stored by the HIE Network.
 - (12) Collaborate with the State CIO to ensure that resources available through the GDAC are properly leveraged, assigned, or deployed to support the work of the Authority. The duty to collaborate under this subdivision includes collaboration on data hosting and development, implementation, operation, and maintenance of the HIE Network.
 - (13) Initiate or direct expansion of existing public-private partnerships within the GDAC as necessary to meet the requirements, duties, and obligations of the Authority. Notwithstanding any other provision of law and subject to the availability of funds, the State CIO, at the request of the Authority, shall

- assist and facilitate expansion of existing contracts related to the HIE Network, provided that such request is made in writing by the Authority to the State CIO with reference to specific requirements set forth in this Article.
- (14) In consultation with the Advisory Board, develop a strategic plan for achieving statewide participation in the HIE Network by all hospitals and health care providers licensed in this State.
- (15) In consultation with the Advisory Board, define the following with respect to operation of the HIE Network:
- a. Business policy.
 - b. Protocols for data integrity, data sharing, data security, HIPAA compliance, and business intelligence as defined in G.S. 143B-426.38A. To the extent permitted by HIPAA, protocols for data sharing shall allow for the disclosure of data for academic research.
 - c. Qualitative and quantitative performance measures.
 - d. An operational budget and assumptions.
- (16) Annually report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Information Technology on the following:
- a. The operation of the HIE Network.
 - b. Any efforts or progress in expanding participation in the HIE Network.
 - c. Health care trends based on information disclosed through the HIE Network.
- (17) Ensure that the HIE Network interfaces with the federal level HIE, the eHealth Exchange.

"§ 90-414.8. North Carolina Health Information Exchange Advisory Board.

(a) Creation and Membership. – There is hereby established the North Carolina Health Information Exchange Advisory Board within the Department of Information Technology. The Advisory Board shall consist of the following 11 members:

- (1) The following four members appointed by the President Pro Tempore of the Senate:
 - a. A licensed physician in good standing and actively practicing in this State.
 - b. A patient representative.
 - c. An individual with technical expertise in health data analytics.
 - d. A representative of a behavioral health provider.
- (2) The following four members appointed by the Speaker of the House of Representatives:
 - a. A representative of a critical access hospital.
 - b. A representative of a federally qualified health center.
 - c. An individual with technical expertise in health information technology.
 - d. A representative of a health system or integrated delivery network.
- (3) The following three ex officio, nonvoting members:
 - a. The State Chief Information Officer or a designee.
 - b. The Director of GDAC or a designee.
 - c. The Secretary of Health and Human Services, or a designee.

(b) Chairperson. – A chairperson shall be elected from among the members. The chairperson shall organize and direct the work of the Advisory Board.

(c) Administrative Support. – The Department of Information Technology shall provide necessary clerical and administrative support to the Advisory Board.

(d) Meetings. – The Advisory Board shall meet at least quarterly and at the call of the chairperson. A majority of the Advisory Board constitutes a quorum for the transaction of business.

(e) Terms. – In order to stagger terms, in making initial appointments, the President Pro Tempore of the Senate shall designate two of the members appointed under subdivision (1) of subsection (a) of this section to serve for a one-year period from the date of appointment and, the Speaker of the House of Representatives shall designate two members appointed under

subdivision (2) of subsection (a) of this section to serve for a one-year period from the date of appointment. The remaining voting members shall serve two-year periods. Future appointees who are voting members shall serve terms of two years, with staggered terms based on this subsection. Voting members may serve up to two consecutive terms, not including the abbreviated two-year terms that establish staggered terms or terms of less than two years that result from the filling of a vacancy. Ex officio, nonvoting members are not subject to these term limits. A vacancy other than by expiration of a term shall be filled by the appointing authority.

(f) Expenses. – Members of the Advisory Board who are State officers or employees shall receive no compensation for serving on the Advisory Board but may be reimbursed for their expenses in accordance with G.S. 138-6. Members of the Advisory Board who are full-time salaried public officers or employees other than State officers or employees shall receive no compensation for serving on the Advisory Board but may be reimbursed for their expenses in accordance with G.S. 138-5(b). All other members of the Advisory Board may receive compensation and reimbursement for expenses in accordance with G.S. 138-5.

(g) Duties. – The Advisory Board shall provide consultation to the Authority with respect to the advancement, administration, and operation of the HIE Network and on matters pertaining to health information technology and exchange, generally. In carrying out its responsibilities, the Advisory Board may form committees of the Advisory Board to examine particular issues related to the advancement, administration, or operation of the HIE Network.

"§ 90-414.9. Participation by covered entities.

(a) Each covered entity that elects to participate in the HIE Network shall enter into a HIPAA compliant business associate agreement described in G.S. 90-414.5(b)(8) and a written participation agreement described in G.S. 90-414.5(b)(6) with the Authority or qualified organization prior to submitting data through or in the HIE Network.

(b) Each covered entity that elects to participate in the HIE Network may authorize its business associates on behalf of the covered entity to submit data through, or access data stored in, the HIE Network in accordance with this Article and at the discretion of the Authority, as provided in G.S. 90-414.5(b)(8).

(c) Notwithstanding any State law or regulation to the contrary, each covered entity that elects to participate in the HIE Network may disclose an individual's protected health information through the HIE Network to other covered entities for any purpose permitted by HIPAA, unless the individual has exercised the right to opt out.

"§ 90-414.10. Continuing right to opt out; effect of opt out.

(a) Each individual has the right on a continuing basis to opt out or rescind a decision to opt out.

(b) The Authority or its designee shall enforce an individual's decision to opt out or rescind an opt out prospectively from the date the Authority or its designee receives notice of the individual's decision to opt out or rescind an opt out in the manner prescribed by the Authority. An individual's decision to opt out or rescind an opt out does not affect any disclosures made by the Authority or covered entities through the HIE Network prior to receipt by the Authority or its designee of the individual's notice to opt out or rescind an opt out.

(c) A covered entity shall not deny treatment, coverage, or benefits to an individual because of the individual's decision to opt out. However, nothing in this Article is intended to restrict a health care provider from otherwise appropriately terminating a relationship with an individual in accordance with applicable law and professional ethical standards.

(d) Except as otherwise permitted in G.S. 90-414.9(a)(3), the protected health information of an individual who has exercised the right to opt out may not be made accessible or disclosed to covered entities or any other person or entity through the HIE Network for any purpose.

(e) The protected health information of an individual who has exercised the right to opt out may be disclosed through the HIE Network in order to facilitate the provision of emergency medical treatment to the individual if all of the following criteria are met:

(1) The reasonably apparent circumstances indicate to the treating health care provider that (i) the individual has an emergency medical condition, (ii) a meaningful discussion with the individual about whether to rescind a previous decision to opt out is impractical due to the nature of the individual's emergency medical condition, and (iii) information available through the HIE Network could assist in the diagnosis or treatment of the individual's emergency medical condition.

(2) The disclosure through the HIE Network is limited to the covered entities providing diagnosis and treatment of the individual's emergency medical condition.

(3) The circumstances and extent of the disclosure through the HIE Network is recorded electronically in a manner that permits the NC HIE or its designee to periodically audit compliance with this subsection.

"§ 90-414.11. Construction and applicability.

(a) Nothing in this Article shall be construed to do any of the following:

(1) Impair any rights conferred upon an individual under HIPAA, including all of the following rights related to an individual's protected health information:

a. The right to receive a notice of privacy practices.

b. The right to request restriction of use and disclosure.

c. The right of access to inspect and obtain copies.

d. The right to request amendment.

e. The right to request confidential forms of communication.

f. The right to receive an accounting of disclosures.

(2) Authorize the disclosure of protected health information through the HIE Network to the extent that the disclosure is restricted by federal laws or regulations, including the federal drug and alcohol confidentiality regulations set forth in 42 C.F.R. Part 2.

(3) Restrict the disclosure of protected health information through the HIE Network for public health purposes or research purposes, so long as disclosure is permitted by both HIPAA and State law.

(4) Prohibit the Authority or any covered entity participating in the HIE Network from maintaining in the Authority's or qualified organization's computer system a copy of the protected health information of an individual who has exercised the right to opt out, as long as the Authority or the qualified organization does not access, use, or disclose the individual's protected health information for any purpose other than for necessary system maintenance or as required by federal or State law.

(b) This Article applies only to disclosures of protected health information made through the HIE Network, including disclosures made within qualified organizations. It does not apply to the use or disclosure of protected health information in any context outside of the HIE Network, including the redisclosure of protected health information obtained through the HIE Network.

"§ 90-414.12. Penalties and remedies; immunity for covered entities and business associates for good faith participation.

(a) Except as provided in subsection (b) of this section, a covered entity that discloses protected health information in violation of this Article is subject to the following:

(1) Any civil penalty or criminal penalty, or both, that may be imposed on the covered entity pursuant to the Health Information Technology for Economic and Clinical Health (HITECH) Act, P.L. 111-5, Div. A, Title XIII, section 13001, as amended, and any regulations adopted under the HITECH Act.

(2) Any civil remedy under the HITECH Act or any regulations adopted under the HITECH Act that is available to the Attorney General or to an individual who has been harmed by a violation of this Article, including damages, penalties, attorneys' fees, and costs.

(3) Disciplinary action by the respective licensing board or regulatory agency with jurisdiction over the covered entity.

(4) Any penalty authorized under Article 2A of Chapter 75 of the General Statutes if the violation of this Article is also a violation of Article 2A of Chapter 75 of the General Statutes.

(5) Any other civil or administrative remedy available to a plaintiff by State or federal law or equity.

(b) To the extent permitted under or consistent with federal law, a covered entity or its business associate that in good faith submits data through, accesses, uses, discloses, or relies upon data submitted through the HIE Network shall not be subject to criminal prosecution or civil liability for damages caused by such submission, access, use, disclosure, or reliance."

SECTION 12A.5.(e) G.S. 126-5(c1) is amended by adding a new subdivision to read:

"§ 126-5. Employees subject to Chapter; exemptions.

...
(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

...
(32) Employees of the North Carolina Health Information Exchange Authority."

SECTION 12A.5.(f) Article 29A of Chapter 90 of the General Statutes is repealed.

SECTION 12A.5.(g) Subsections (d) and (e) of this section become effective October 1, 2015. Subsection (f) of this section becomes effective on the date the State Chief Information Officer notifies the Revisor of Statutes that all contracts pertaining to the HIE Network established under Article 29A of Chapter 90 of the General Statutes (i) between the State and the NC HIE, as defined in G.S. 90-413.3, and (ii) between the NC HIE and any third parties have been terminated or assigned to the North Carolina Health Information Exchange Authority established under Article 29B of Chapter 90 of the General Statutes, as enacted by subsection (d) of this section. The remainder of this section becomes effective July 1, 2015.

FUNDS FOR NTRACKS, THE REPLACEMENT MULTIPAYER MEDICAID MANAGEMENT INFORMATION SYSTEM

SECTION 12A.6.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for NTRACKS, the sum of four hundred thousand dollars (\$400,000) for the 2015-2016 fiscal year and the sum of four hundred thousand dollars (\$400,000) for the 2016-2017 fiscal year shall be used to operate and maintain NTRACKS; and the sum of two million three hundred thousand dollars (\$2,300,000) in nonrecurring funds for the 2015-2016 fiscal year and the sum of nine hundred forty thousand dollars (\$940,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used to develop and implement the ICD-10 Project and the Business Process Automated System for the Division of Health Service Regulation. In addition, overrealized receipts are hereby appropriated to the Department of Health and Human Services, Division of Central Management and Support, up to the amounts necessary to implement this section. In the event it becomes necessary for the Department to utilize these overrealized receipts or any other funds appropriated to the Department to implement this section, the Department shall first (i) obtain prior approval from the Office of State Budget and Management (OSBM) and (ii) report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. As part of the report required by this section, the Department shall provide the amounts of any overrealized receipts or other funds it intends to use to make up for any shortfall in funding for NTRACKS and an explanation of the circumstances necessitating the use of overrealized receipts or other funds to make up for the shortfall.

SECTION 12A.6.(b) Beginning on November 15, 2015, and monthly thereafter, the Department of Health and Human Services shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the status of the implementation of ICD-10. The Department shall continue to submit the report by the 15th of each month until three consecutive months have passed in which the Department did not issue any hardship advances and until the new Department of Information Technology (DIT), created by this act, can assume this function. Thereafter, the Department or DIT, as appropriate, shall submit this report upon request of the Joint Legislative Oversight Committee on Health and Human Services. The report shall include all of the following items:

- (1) An analysis of claims payments prior to the implementation compared to post implementation by major provider category that identifies any variations in claims payment levels.
- (2) For variations attributable to the implementation of ICD-10, the report shall include corrective actions and communications that resulted from the identification of the variation.
- (3) An update on hardship advances made to providers for payment issues arising for the implementation of ICD-10 that specifies the total amount advanced and the total amount recovered to date listed by provider.

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.7.(a) Funds appropriated in this act in the amount of five million eight hundred three thousand dollars (\$5,803,000) for the 2015-2016 fiscal year and thirteen million fifty-two thousand dollars (\$13,052,000) for the 2016-2017 fiscal year along with prior year earned revenue in the amount of nine million four hundred thousand dollars (\$9,400,000) 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.

SECTION 12A.7.(b) Departmental receipts appropriated in this act in the amount of nine million eight hundred seventy-one thousand fifty-nine dollars (\$9,871,059) for the 2015-2016 fiscal year and thirteen million two hundred twenty thousand six hundred sixty-five dollars (\$13,220,665) for the 2016-2017 fiscal year shall be used to provide ongoing maintenance and operations for the NC FAST system, including the creation of three full-time equivalent technology support analyst positions.

COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS

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 six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) 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. The Department shall require nonprofits to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.
- (2) A requirement that nonprofits match a minimum of fifteen percent (15%) 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. The provision of services and screening for blindness.
 - j. A 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.
 - l. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.
 - m. A program providing short-term or 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) Allows grants to be awarded to nonprofits for up to two years.
 - (7) With grants awarded beginning July 1, 2016, a requirement that of the funds provided for competitive grants pursuant to this section, a minimum of five percent (5%) of the grants be awarded to new grant recipients who did not receive grant awards during the previous competitive grants process.

SECTION 12A.8.(c) No later than July 1 of each year, as applicable, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective grant 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.(d) No later than December 1 of each fiscal year, each nonprofit organization receiving funding pursuant to this subsection in the respective fiscal year 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:

- a. The entity's mission, purpose, and governance structure.
- b. A description of the types of programs, services, and activities funded by State appropriations.
- c. Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.
- d. Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.
- e. A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

SECTION 12A.8.(e) For the 2015-2017 fiscal biennium only, from the funds identified in subsection (a) of this section, the Department shall make allocations as follows:

- (1) The sum of two million four hundred twenty-seven thousand nine hundred seventy-five dollars (\$2,427,975) in each year of the 2015-2017 fiscal biennium to provide grants to Boys and Girls Clubs across the State to implement (i) programs that improve the motivation, performance, and self-esteem of youth and (ii) other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. Boys and Girls Clubs shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.
- (2) The sum of one million six hundred twenty-five thousand dollars (\$1,625,000) 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, as renamed under Section 12A.16 of this act, 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, as renamed under Section 12A.16 of this act, 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.

FUNDS FOR COMMUNITY PARAMEDICINE PILOT PROGRAM

SECTION 12A.12.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2015-2016 fiscal year, the sum of three hundred fifty thousand dollars (\$350,000) shall be used to implement a community paramedicine pilot program. The pilot program shall focus on expanding the role of paramedics to allow for community-based initiatives that result in providing care that avoids nonemergency use of emergency rooms and 911 services and avoids unnecessary admissions into health care facilities.

SECTION 12A.12.(b) The North Carolina Office of Emergency Medical Services (NCOEMS) shall set the education standards and other requirements necessary to qualify as a community paramedic eligible to participate in the pilot program established in subsection (a) of this section. The Department shall consult with the NCOEMS to define the objectives, set standards, and establish the required outcomes for the pilot program.

SECTION 12A.12.(c) The Department of Health and Human Services shall establish up to three program sites to implement the community paramedicine pilot program, one of which shall be New Hanover Regional Emergency Medical Services. For the 2015-2016 fiscal year, the New Hanover Regional Emergency Medical Services program site shall be awarded up to two hundred ten thousand dollars (\$210,000), and each of the remaining program sites may be awarded up to seventy thousand dollars (\$70,000). In selecting the remaining program sites, the Department may give preference to counties that currently have an established community paramedic program.

SECTION 12A.12.(d) The Department of Health and Human Services shall submit a report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Committee on Health and Human Services, and the Fiscal Research Division by June 1, 2016, on the progress of the pilot program and shall include an evaluation plan 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 12A.12.(e) 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 all of the following:

- (1) An updated version of the evaluation plan required by subsection (d) of this section.
- (2) An estimate of the cost to expand the program incrementally and statewide.
- (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.

STUDY DESIGN AND IMPLEMENTATION OF CONTRACTING SPECIALIST AND CERTIFICATION PROGRAM

SECTION 12A.13. The Joint Legislative Oversight Committee on Health and Human Services shall study and make recommendations regarding the design of a contracting specialist training and certification program for management level personnel within the Department of Health and Human Services (DHHS) similar to the Certified Local Government Purchasing Officer program and local purchasing and contracts program of the University of North Carolina School of Government.

HEALTH CARE COST REDUCTION AND TRANSPARENCY ACT REVISIONS

SECTION 12A.15.(a) G.S. 131E-214.13 reads as rewritten:

"§ 131E-214.13. Disclosure of prices for most frequently reported DRGs, CPTs, and HCPCSs.

- (a) The following definitions apply in this Article:
 - (1) Ambulatory surgical facility. – A facility licensed under Part 4 of Article 6 of this Chapter.
 - (2) Commission. – The North Carolina Medical Care Commission.
 - (3) Health insurer. – An entity that writes a health benefit plan and is one of the following:
 - a. An insurance company under Article 3 of Chapter 58 of the General Statutes.
 - b. A service corporation under Article 65 of Chapter 58 of the General Statutes.
 - c. A health maintenance organization under Article 67 of Chapter 58 of the General Statutes.
 - d. A third-party administrator of one or more group health plans, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1167(1)).
 - (4) Hospital. – A medical care facility licensed under Article 5 of this Chapter or under Article 2 of Chapter 122C of the General Statutes.
 - (5) Public or private third party. – Includes the State, the federal government, employers, health insurers, third-party administrators, and managed care organizations.

(b) Beginning with the ~~quarter ending June 30, 2014, reporting period ending September 30, 2015, and quarterly~~ quarterly ~~annually~~ thereafter, each hospital shall provide to the Department of Health and Human Services, utilizing electronic health records software, the following information about the 100 most frequently reported admissions by DRG for inpatients as established by the Department:

- (1) The amount that will be charged to a patient for each DRG if all charges are paid in full without a public or private third party paying for any portion of the charges.
- (2) The average negotiated settlement on the amount that will be charged to a patient required to be provided in subdivision (1) of this subsection.
- (3) The amount of Medicaid reimbursement for each DRG, including claims and pro rata supplemental payments.
- (4) The amount of Medicare reimbursement for each DRG.
- (5) For each of the five largest health insurers providing payment to the hospital on behalf of insureds and teachers and State employees, the range and the average of the amount of payment made for each DRG. Prior to providing this information to the Department, each hospital shall redact the names of the health insurers and any other information that would otherwise identify the health insurers.

A hospital shall not be required to report the information required by this subsection for any of the 100 most frequently reported admissions where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(c) The Commission shall adopt rules on or before ~~January 1, 2015, March 1, 2016,~~ to ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the Department in a uniform manner. The rules shall include all of the following:

- (1) The method by which the Department shall determine the 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section.
- (2) Specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's Internet Web site.

(d) Beginning with the ~~quarter ending September 30, 2014, reporting period ending September 30, 2015, and quarterly annually~~ thereafter, each hospital and ambulatory surgical facility shall provide to the Department, utilizing electronic health records software, information on the total costs for the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and HCPCS codes. Hospitals and ambulatory surgical facilities shall report this information in the same manner as required by subdivisions (b)(1) through (5) of this section, provided that hospitals and ambulatory surgical facilities shall not be required to report the information required by this subsection where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(e) The Commission shall adopt rules on or before ~~January 1, 2015, March 1, 2016,~~ to ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the Department in a uniform manner. The rules shall include the method by which the Department shall determine the 20 most common surgical procedures and the 20 most common imaging procedures for which the hospitals and ambulatory surgical facilities must provide the data set out in subsection (d) of this section.

(e1) The Commission shall adopt rules to establish and define no fewer than 10 quality measures identical to those established by the Joint Commission for each of the following: for licensed hospitals and licensed ambulatory surgical facilities.

- a. ~~Primary cesarean section rate, uncomplicated (TJC PC-02)~~
- b. ~~Early elective delivery rate (TJC PC-01)~~
- e. ~~C. difficile infection SIR (NHSN)~~
- d. ~~Multidrug resistant organisms (NHSN)~~
- e. ~~Surgical site infection SRI for colon surgeries (NSHN)~~
- f. ~~Post-op sepsis rate (PSI13)~~
- g. ~~Thrombolytic therapy for acute ischemic stroke patients (STK-4)~~
- h. ~~Stroke education (STK-8)~~

- i. ~~Venous thrombolism prophylaxis (VTE-1)~~
- j. ~~Venous thrombolism discharge instructions (VTE-5)~~

(f) Upon request of a patient for a particular DRG, imaging procedure, or surgery procedure reported in this section, a hospital or ambulatory surgical facility shall provide the information required by subsection (b) or subsection (d) of this section to the patient in writing, either electronically or by mail, within three business days after receiving the request.

(g) G.S. 150B-21.3 does not apply to rules adopted under subsections (c) and (e) of this section. A rule adopted under subsections (c) and (e) of this section becomes effective on the last day of the month following the month in which the rule is approved by the Rules Review Commission."

SECTION 12A.15.(b) G.S. 131E-214.14 reads as rewritten:

"§ 131E-214.14. Disclosure of charity care policy and costs.

(a) Requirements. – A hospital or ambulatory surgical facility required to file Schedule H, federal form 990, under the Code must provide the public access to its financial assistance policy and its annual financial assistance costs reported on its Schedule H, federal form 990. The information must be submitted annually to the Department in the time, manner, and format required by the Department. The Department must post all of the information submitted pursuant to this subsection on its internet Web site-site in one location and in a manner that is searchable. The posting requirement shall not be satisfied by posting links to internet Web sites. The information must also be displayed in a conspicuous place in the organization's place of business.

...."

RENAMING OF OFFICE OF RURAL HEALTH AND COMMUNITY CARE

SECTION 12A.16.(a) The Office of Rural Health and Community Care within the Department of Health and Human Services, Division of Central Management and Support, is hereby renamed the Office of Rural Health.

SECTION 12A.16.(b) Consistent with subsection (a) of this section, 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.

FUNDS FOR DEVELOPMENT OF HEALTH ANALYTICS PILOT PROGRAM

SECTION 12A.17.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of seven hundred fifty thousand dollars (\$750,000) in nonrecurring funds for the 2015-2016 fiscal year and the sum of two hundred fifty thousand dollars (\$250,000) in recurring funds for the 2015-2016 fiscal year and the 2016-2017 fiscal year shall be used for the development and implementation of a pilot program for Medicaid claims analytics and population health management.

SECTION 12A.17.(b) The Department shall coordinate with the Government Data Analytics Center (GDAC) to develop the pilot program and to provide access to needed data sources, including Medicaid claims data, for the pilot program. The pilot program shall utilize the subject matter expertise and technology available through existing GDAC public-private partnerships in order to apply analytics in a manner that would maximize health care savings and efficiencies to the State and optimize positive impacts on health outcomes.

SECTION 12A.17.(c) By November 30, 2015, the Department shall execute all contractual agreements and interagency data-sharing agreements necessary for development and implementation of the pilot program authorized by this section.

SECTION 12A.17.(d) By January 15, 2016, the Department and GDAC shall provide a progress report on the pilot program authorized by this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Committee on Health and Human Services, and the Fiscal Research Division. By May 31, 2016, the Department and GDAC shall make a final report of their findings and recommendations on the pilot program authorized by this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

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 September 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 for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

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 and Early Education 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 SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS AND COUNTIES

SECTION 12B.2A. Beginning January 1, 2016, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study from birth through two years of age in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties. For purposes of this section, tier one and tier two counties shall have the same designations as those established by the N.C. Department of Commerce's 2015 County Tier Designations.

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) 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, beginning fiscal year 2015-2016, a county's initial allocation shall be the county's expenditure in the previous fiscal year. With the exception of market rate increases consistent with any increases approved by the General Assembly, a county whose spending coefficient is less than ninety-five percent (95%) in the previous fiscal year shall receive its prior year's expenditure as its allocation and shall not receive an increase in its allocation in the following year. A county whose spending coefficient is at least ninety-five percent (95%) in the previous fiscal year shall receive, at a minimum, the amount it expended in the previous fiscal year and may receive additional funding, if available. 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 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 an emergency 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 January 1, 2016, for the 2015-2016 fiscal year and no later than September 30 of each year thereafter.

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 twelve percent (12%) and in-kind donated resources shall be equal to no more than five percent (5%) for a total match requirement of seventeen percent (17%) for the 2015-2016 fiscal year; and

contributions of cash shall be equal to at least thirteen percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total match requirement of nineteen percent (19%) for the 2016-2017 fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Division of Employment Security of the Department of Commerce 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 seventeen-percent (17%) match by June 30 of the 2015-2016 fiscal year and a nineteen-percent (19%) match by June 30 of the 2016-2017 fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative 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.

U.S. DEPARTMENT OF DEFENSE-CERTIFIED CHILD CARE FACILITIES PARTICIPATION IN STATE-SUBSIDIZED CHILD CARE PROGRAM

SECTION 12B.9.(a) Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"§ 110-106.2. Department of Defense-certified child care facilities.

(a) As used in this section, the phrase "Department of Defense-certified child care facility" shall include child development centers, family child care homes, and school-aged child care facilities operated aboard a military installation under the authorization of the United States Department of Defense (Department of Defense) certified by the Department of Defense.

(b) Procedure Regarding Department of Defense-Certified Child Care Facilities. –

- (1) Department of Defense-certified child care facilities shall file with the Department a notice of intent to operate a child care facility in a form determined by the Department of Defense.
- (2) As part of its notice, each Department of Defense-certified child care facility shall file a report to the Department indicating that it meets the minimum standards for child care facilities as provided by the Department of Defense.
- (3) Department of Defense-certified child care facilities that meet all the requirements of this section shall be exempt from all other requirements of this Article and shall not be subject to licensure.
- (4) For purposes of the North Carolina Subsidized Child Care Program, Department of Defense-certified child care facilities shall be reimbursed as follows:
 - a. Department of Defense-certified child care facilities that are accredited by the National Association for the Education of Young Children (NAEYC) shall be reimbursed based on the five-star-rated license rate.
 - b. All other Department of Defense-certified child care facilities shall be reimbursed based on the four-star-rated license rate."

SECTION 12B.9.(b) G.S. 143B-168.15(g) reads as rewritten:

"(g) Not less than thirty percent (30%) of the funds spent in each year of each local partnership's direct services allocation shall be used to expand child care subsidies. To the extent practicable, these funds shall be used to enhance the affordability, availability, and quality of child care services as described in this section. The North Carolina Partnership may increase this percentage requirement up to a maximum of fifty percent (50%) when, based upon a significant local waiting list for subsidized child care, the North Carolina Partnership determines a higher percentage is justified. Local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars (\$52,000,000) for the Temporary Assistance to Needy Families (TANF) maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement. Funds allocated under this section shall supplement and not supplant any federal or State funds allocated to Department of Defense-certified child care facilities licensed under G.S. 110-106.2."

SECTION 12B.9.(c) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2, as enacted in subsection (a) of this section, may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families; provided, that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in Section 12B.2 of this act.

SECTION 12B.9.(d) This section becomes effective January 1, 2016.

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 Division of Social Services shall design the Guardianship Assistance Program (GAP) to include provisions for extending guardianship services for individuals who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. 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 February 1, 2016.

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.

FOSTERING SUCCESS/EXTEND FOSTER CARE TO 21 YEARS OF AGE

SECTION 12C.9.(a) G.S. 108A-48 reads as rewritten:
"§ 108A-48. State Foster Care Benefits Program.

(a) The Department is authorized to establish a State Foster Care Benefits Program with appropriations by the General Assembly for the purpose of providing assistance to children who are placed in foster care facilities by county departments of social services in accordance with the rules and regulations of the Social Services Commission. Such appropriations, together with county contributions for this purpose, shall be expended to provide for the costs of keeping children in foster care facilities.

~~(b) No benefits provided by this section shall be granted to any individual who has passed his eighteenth birthday unless he is less than 21 years of age and is a full-time student or has been accepted for enrollment as a full-time student for the next school term pursuing a high school diploma or its equivalent; a course of study at the college level; or a course of vocational or technical training designed to fit him for gainful employment.~~

(c) The Department may continue to provide benefits pursuant to this section to an individual who has attained the age of 18 years and chosen to continue receiving foster care services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this subsection due to a medical condition or disability.

(d) With monthly supervision and oversight by the director of the county department of social services or a supervising agency, an individual receiving benefits pursuant to subsection (c) of this section may reside outside a foster care facility in a college or university dormitory or other semi-supervised housing arrangement approved by the director of the county department of social services and continue to receive benefits pursuant to this section."

SECTION 12C.9.(b) G.S. 108A-49 is amended by adding a new subsection to read:

"(e) If all other eligibility criteria are met, adoption assistance payments may continue until the beneficiary reaches the age of 21 if the beneficiary was adopted after reaching the age of 16 but prior to reaching the age of 18."

SECTION 12C.9.(c) G.S. 108A-49.1 reads as rewritten:

"§ 108A-49.1. Foster care and adoption assistance payment rates.

(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

- (1) \$475.00 per child per month for children from birth through five years of age.
- (2) \$581.00 per child per month for children six through 12 years of age.
- (3) \$634.00 per child per month for children at least 13 through 18 but less than 21 years of age.

(b) The maximum rates for the State adoption assistance program are established consistent with the foster care rates as follows:

- (1) \$475.00 per child per month for children from birth through five years of age.
- (2) \$581.00 per child per month for children six through 12 years of age.
- (3) \$634.00 per child per month for children at least 13 through 18 but less than 21 years of age.

(c) The maximum rates for the State participation in human immunodeficiency virus (HIV) foster care and adoption assistance are established on a graduated scale as follows:

- (1) \$800.00 per child per month with indeterminate HIV status.
- (2) \$1,000 per child per month with confirmed HIV infection, asymptomatic.
- (3) \$1,200 per child per month with confirmed HIV infection, symptomatic.
- (4) \$1,600 per child per month when the child is terminally ill with complex care needs.

In addition to providing board payments to foster and adoptive families of HIV-infected children, any additional funds remaining that are appropriated for purposes described in this subsection shall be used to provide medical training in avoiding HIV transmission in the home.

(d) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child-placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent

(50%) of the nonfederal share of the cost for a child placed in a family foster home or residential child care facility under an agreement with that provider as of October 31, 2008, until the child leaves foster care or experiences a placement change.

(e) A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for an individual receiving benefits pursuant to G.S. 108A-48(c)."

SECTION 12C.9.(d) G.S. 131D-10.2 reads as rewritten:

"§ 131D-10.2. Definitions.

For purposes of this Article, unless the context clearly implies otherwise:

...
(3) "Child" means an individual less than ~~18-21~~ years of age, who has not been emancipated under the provisions of Article 35 of Chapter 7B of the General Statutes.

...
(9a) "Foster Parent" means any individual who is ~~18-21~~ years of age or older who is licensed by the State to provide foster care.

....
"

SECTION 12C.9.(e) Part 1 of Article 1A of Chapter 131D of the General Statutes is amended by adding a new section to read:

"§ 131D-10.2B. Foster care until 21 years of age.

(a) A child placed in foster care who has attained the age of 18 years may continue receiving foster care services until reaching 21 years of age as provided by law. A child who initially chooses to opt out of foster care upon attaining the age of 18 years may opt to receive foster care services at a later date until reaching 21 years of age.

(b) A child who has attained the age of 18 years and chosen to continue receiving foster care services until reaching 21 years of age may continue to receive benefits pursuant to Part 4 of Article 2 of Chapter 108A of the General Statutes upon meeting the requirements under G.S. 108A-48(c)."

SECTION 12C.9.(f) G.S. 131D-10.5 reads as rewritten:

"§ 131D-10.5. Powers and duties of the Commission.

In addition to other powers and duties prescribed by law, the Commission shall exercise the following powers and duties:

- (1) Adopt, amend and repeal rules consistent with the laws of this State and the laws and regulations of the federal government to implement the provisions and purposes of this ~~Article;~~Article.
- (2) Issue declaratory rulings as may be needed to implement the provisions and purposes of this ~~Article;~~Article.
- (3) Adopt rules governing procedures to appeal Department decisions pursuant to this Article granting, denying, suspending or revoking ~~licenses;~~licenses.
- (4) Adopt criteria for waiver of licensing rules adopted pursuant to this ~~Article;~~Article.
- (5) Adopt rules on documenting the use of physical restraint in residential child-care ~~facilities;~~facilities.
- (6) Adopt rules establishing personnel and training requirements related to the use of physical restraints and time-out for staff employed in residential child-care ~~facilities;~~ and facilities.
- (7) Adopt rules establishing educational requirements, minimum age, relevant experience, and criminal record status for executive directors and staff employed by child placing agencies and residential child care facilities.
- (8) Adopt any rules necessary for the expansion of foster care for individuals who have attained the age of 18 years and chosen to continue receiving foster care services to 21 years of age in accordance with G.S. 131D-10.2B."

SECTION 12C.9.(g) Article 9 of Chapter 7B of the General Statutes is amended by adding a new section to read:

"§ 7B-910.1. Review of voluntary foster care placements with young adults.

(a) The court shall review the placement of a young adult in foster care authorized by G.S. 108A-48(c) when the director of social services and a young adult who was in foster care as a juvenile enter into a voluntary placement agreement. The review hearing shall be held not more than 90 days from the date the agreement was executed, and the court shall make findings from evidence presented at this review hearing with regard to all of the following:

- (1) Whether the placement is in the best interest of the young adult in foster care.
- (2) The services that have been or should be provided to the young adult in foster care to improve the placement.
- (3) The services that have been or should be provided to the young adult in foster care to further the young adult's educational or vocational ambitions, if relevant.

(b) Upon written request of the young adult or the director of social services, the court may schedule additional hearings to monitor the placement and progress toward the young adult's educational or vocational ambitions.

(c) No guardian ad litem under G.S. 7B-601 will be appointed to represent the young adult in the initial or any subsequent hearing.

(d) The clerk shall give written notice of the initial and any subsequent review hearings to the young adult and foster care and the director of social services at least 15 days prior to the date of the hearing."

SECTION 12C.9.(h) G.S. 7B-401.1 is amended by adding a new subsection to read:

"(i) Young Adult in Foster Care. – In proceedings held pursuant to G.S. 7B-910.1, the young adult in foster care and the director of the department of social services are parties."

SECTION 12C.9.(i) The Department of Health and Human Services, Division of Social Services (Division), shall develop a plan for the expansion of foster care services for individuals who have attained the age of 18 years and opt to continue receiving foster care services until reaching 21 years of age. The Division shall report on the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2016. The Division shall report on the plan as implemented to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2017.

SECTION 12C.9.(j) No later than 60 days after the Department implements the plan for the expansion of foster care services as required under subsection (i) of this section, the Division shall submit a State plan amendment to the U.S. Department of Health and Human Services Administration for Children and Families to make federal payments for foster care and adoption assistance, as applicable, under Title IV-E, available to a person meeting the requirements of G.S. 108A-48(c), as enacted in subsection (a) of this section.

SECTION 12C.9.(k) Any agreement entered into pursuant to G.S. 108A-48(b) prior to the effective date of subsection (a) of this section shall remain in full force and effect, and no provision of this section shall be construed to affect or alter such an agreement.

SECTION 12C.9.(l) Subsection (a) of this section becomes effective January 1, 2017, and applies to agreements entered into on or after that date. Subsections (i), (j), and (k) of this section are effective when they become law. The remainder of this section becomes effective January 1, 2017.

REQUIRE TRANSFER OF CERTAIN SERVICES TO EASTERN BAND OF CHEROKEE INDIANS

SECTION 12C.10.(a) G.S. 108A-25 reads as rewritten:

"§ 108A-25. **Creation of programs; assumption by federally recognized tribe of programs.**

...

(e) When any federally recognized Native American tribe within the State assumes responsibility for any social services, Medicaid and NC Health Choice healthcare benefit programs, and ancillary services, including Medicaid administrative and service functions, that are otherwise the responsibility of a county under State law, then, notwithstanding any other provision of law, the county shall be relieved of the legal responsibility related to the tribe's assumption of those services. With respect to a tribe's assumption of any responsibilities for administration of any aspects of the NC Medicaid program, NC Health Choice, and the Supplemental Nutrition Assistance Program (SNAP), the State and the tribe shall execute an agreement to set forth the general terms, definitions, and conditions by which the parties shall operate. The agreement shall also include requirements and procedures regarding the allocation of all federal and other funds for all programs to be administered by the tribe. Upon the execution of the agreement, to allow the tribe to assume certain duties and responsibilities for

the administration of the NC Medicaid program, NC Health Choice, and SNAP, the agreement between the State and the tribe shall require the tribe to accept the oversight authority of the State and the Department of Health and Human Services (Department) in the administration and supervision of these programs. In addition to the other necessary terms and conditions, the agreement shall include the following conditions:

- (1) All requirements as prescribed by federal law, as well as the tribe and State's responsibilities in complying with federal law, including, but not limited to, any specific provisions pertaining to accounting and auditing compliance, maintenance of liability insurance, confidentiality, reporting requirements, indemnity, waiver of immunity, or due process.
- (2) As the Department is the federally recognized single State agency for the NC Medicaid program, NC Health Choice, and SNAP, provisions stating the Department retains ultimate administrative discretion in the administration interpretation of all applicable policies, rules, and regulations regarding application processing, eligibility determinations and redeterminations, and other functions related to the eligibility process.
- (3) Provisions by the tribe to ensure that individuals who will be responsible for the tribe's duties and responsibilities under this agreement shall be employed under standards equivalent to current standards for a Merit System of Personnel Administration or any standards later prescribed by the Office of Personnel Management under section 208 of the Intergovernmental Personnel Act of 1970, unless an exemption is obtained from the federal government. The tribe shall also provide the Department with information to verify the unemployment standards included under this condition.
- (4) Requirements and procedures for allocating to the tribe in a timely manner all federal funds, nonfederal matching funds, and State funds for State programs previously borne by the State. However, requirements and procedures for allocating funds pursuant to this subdivision shall not include any funding the tribe receives directly from federal agencies.
- (5) The Department shall, when possible and as allowed by the federal government, adopt funding flexibility for Indian Health Services when such flexibility furthers goals addressing health disparities among American Indians."

SECTION 12C.10.(b) G.S. 108A-87(c) reads as rewritten:

"(c) Notwithstanding subsections (a) and (b) of this section, when the Eastern Band of Cherokee Indians assumes responsibility for a program described under G.S. 108A-25(e), the following shall occur:

- (1) Nonfederal matching funds and State funds for State programs designated to Jackson and Swain counties to serve the Eastern Band of Cherokee Indians for ~~that program~~ programs previously borne by the State shall be allocated directly to the Eastern Band of Cherokee Indians rather than to those ~~counties~~ counties and shall not exceed the amount expended by the State for fiscal year 2014-2015 for programs or services assumed by the Eastern Band of Cherokee Indians, as applicable, plus the growth rate equal to the growth in State-funded nonfederal share for all counties. Any fund sources from which the tribe receives funds directly from federal agencies are excluded from the requirements of this subdivision.
- (2) Any portion of nonfederal matching funds borne by counties for public assistance and social services programs and related administrative costs shall be borne by the Eastern Band of Cherokee Indians.
- (3) Nothing in this section shall be construed to prevent the Eastern Band of Cherokee Indians from providing further nonfederal matching funds to maximize their receipt of federal funds."

SECTION 12C.10.(c) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Social Services, the sum of three hundred sixty thousand dollars (\$360,000) in recurring funds for fiscal year 2015-2016 and the sum of three million two hundred thousand dollars (\$3,200,000) in nonrecurring funds for fiscal year 2015-2016 shall be deposited in the Department's information technology budget

code within 30 days of the effective date of this act to be used for ongoing operation and maintenance pursuant to implementing the provisions of this section.

SECTION 12C.10.(d) Approval for the Eastern Band of Cherokee Indians to administer the eligibility process for Medicaid and NC Health Choice is contingent upon federal approval of State Plan amendments and Medicaid waivers by the Centers for Medicare & Medicaid Services (CMS). The Department of Health and Human Services, Division of Medical Assistance (DMA), shall submit any State Plan amendments and Medicaid waivers necessary for the delegation of authority and administrative transfer of function to the Eastern Band of Cherokee Indians or to effectuate the changes required by this section and Section 12C.3 of S.L. 2014-100. All State Plan amendments and Medicaid waivers submitted as allowed under this subsection shall have an effective date of October 1, 2016. DMA shall submit the State Plan amendments and waivers allowed under this subsection and any related responses to CMS requests for additional information to the Eastern Band of Cherokee Indians for review prior to submission to CMS. If CMS does not approve the State Plan amendments and Medicaid waivers allowed by this subsection, the counties shall continue serving individuals living on the federal lands held in trust by the United States.

SECTION 12C.10.(e) Within 30 days of CMS approval of the State Plan amendments and Medicaid waivers submitted as allowed under subsection (d) of this section, the Department of Health and Human Services shall submit an Advanced Planning Document Update (APDU) to CMS, the United States Department of Agriculture (USDA), and the Administration for Children and Families (ACF). If CMS, USDA, and ACF do not approve the APDU, the counties shall continue serving individuals living on the federal lands held in trust by the United States.

SECTION 12C.10.(e1) Section 12C.3(b) of S.L. 2014-100 reads as rewritten:

"SECTION 12C.3.(b) Beginning October 1, 2014, or upon federal approval, the Eastern Band of Cherokee Indians may begin assuming the responsibility for the Supplemental Nutrition Assistance Program (SNAP). When the Eastern Band of Cherokee Indians assumes responsibility for SNAP, then any State statutes, portions of statutes, or rules relating to the provision of social services regarding SNAP services by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those social services are thereby delegated to the Eastern Band of Cherokee Indians.

No later than October 1, ~~2015~~, 2016, and with the exception of services related to special assistance, childcare, and adult care homes, the Eastern Band of Cherokee Indians may assume responsibility for other programs as described under G.S. 108A-25(e), enacted in subsection (c) of this section. When the Eastern Band of Cherokee Indians assumes responsibility for any of those other programs, then any State statutes, portions of statutes, or rules relating to the provision of services for those programs by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those programs are thereby delegated to the Eastern Band of Cherokee Indians."

SECTION 12C.10.(e2) Jackson County and Swain County Departments' of Social Services shall provide NC Medicaid, NC Health Choice, and SNAP eligibility workers on-site at Qualla Boundary five days per week until the transfer of eligibility determination responsibilities under this section have been completed. The number of days per week eligibility workers are provided on-site may be amended by agreement between the Counties and the tribe.

SECTION 12C.10.(f) As soon as practicable, but no later than approval by CMS, USDA, and ACF of the APDU, the Department of Health and Human Services (Department) shall begin functional and detailed design, development, testing, and training of NC FAST, NCTracks, and legacy systems to allow the Eastern Band of Cherokee Indians to assume certain administrative duties consistent with approval given by federal funding partners and any agreements between the Eastern Band of Cherokee Indians and the Department. Failure to approve the APDU shall not hinder the transfer of any social services that do not require approval of federal agencies.

SECTION 12C.10.(f1) The Department, in collaboration with the Eastern Band of Cherokee Indians, shall draft a project plan to meet the October 1, 2016, effective date required by subsection (d) of this section. The Department shall report on the project plan to the Joint Legislative Oversight Committee on Health and Human Services on or before January 1, 2016.

SECTION 12C.10.(g) If federal law allows the Eastern Band of Cherokee Indians to assume responsibility for the NC Medicaid program, NC Health Choice, or SNAP, the Eastern Band of Cherokee Indians shall be allowed to assume responsibility for those programs if they choose to assume such responsibility.

SECTION 12C.10.(h) Beginning October 1, 2015, and quarterly thereafter, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services on the status of implementation of this section until implementation is complete.

CHILD PROTECTIVE SERVICES PILOT PROJECT

SECTION 12C.11.(a) The Department of Health and Human Services, Division of Social Services, shall continue implementing the Child Protective Services Pilot Project established by Section 12C.1(e) of S.L. 2014-100. The Division shall continue to collaborate with the Government Data Analytics Center (GDAC) to enhance the Pilot Project by doing the following:

- (1) Developing a dashboard linking the family to the child.
- (2) Integrating additional Department of Health and Human Services and other State department data sources to build a more comprehensive view of the child and family, including (i) matching the child to the caretaker; (ii) linking child, family, and address information; and (iii) integrating Criminal Justice Law Enforcement Automated Data Services (CJLEADS) data to determine if the caretaker or someone living in the house is a sex offender or has a criminal history.
- (3) Developing a comprehensive profile of a child that includes demographic and caretaker information and indicators or flags of other services, including, but not limited to, prior assessments of the child, eligibility for food and nutrition programs, Medicaid, and subsidized child care.

SECTION 12C.11.(b) The Division of Social Services shall interface the work product from the Child Protective Services Pilot Project with the statewide child welfare case management system operated by the Department of Health and Human Services by utilizing resources and subject matter expertise available through existing public-private partnerships within the GDAC for the purposes of analyzing risk and improving outcomes for children. The Division of Social Services shall submit its findings and recommendations in a final report on the Child Protective Services Pilot Project to the Joint Legislative Oversight Committee on Health and Human Services no later than 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, cancer, infant mortality, and low birth weight. 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.
 - h. Infant mortality.
 - i. Low birth weight.
- (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.

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~~The 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), two thousand eight hundred dollars (\$2,800) to be paid as follows:~~

- (1) Except as provided in subdivision (2) of this subsection, the county in which the deceased resided shall pay a fee of one thousand seven hundred fifty dollars (\$1,750) and the State shall pay the remaining balance of one thousand fifty dollars (\$1,050).
- (2) If the death or fatal injury occurred outside the county in which the deceased resided, the State shall pay the entire fee in the amount of two thousand eight hundred dollars (\$2,800)."

SECTION 12E.5.(b) Subsection (a) of this section becomes effective October 1, 2015, and applies to fees imposed for autopsies performed 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 October 1, 2015, and applies to fees imposed for investigations and reports filed on or after that date.

INCREASE IN TRANSPORTATION RATE FOR DEATH INVESTIGATIONS AND AUTOPSIES

SECTION 12E.7. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, Office of the Chief Medical Examiner, the sum of four hundred thousand dollars (\$400,000) for the 2015-2016 fiscal year and the sum of four hundred thousand dollars (\$400,000) for the 2016-2017 fiscal year shall be used to increase the current base contract rate paid by the Department to transport bodies for death investigations or autopsies to one hundred ninety dollars (\$190.00) for the first 40 miles and then one dollar (\$1.00) per mile after the first 40 miles.

IMPROVE MATERNAL AND CHILD HEALTH/ESTABLISH COMPETITIVE GRANTS PROCESS

SECTION 12E.11.(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 12E.11.(b) Designation of Lead Agency. – The Department of Health and Human Services, Division of Public Health (Division), shall be the lead agency 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 continuation review of all maternal and child health-related programs and activities as directed under Section 6.20 of this act, in consultation with the Department of Health and Human Services, Office of

Program Evaluation Reporting and Accountability (OPERA), as created in Section 12A.3 of this act.

SECTION 12E.11.(c) Establishment of Competitive Grants Process for Local Health Departments. – It is the intent of the General Assembly that, beginning in the 2016-2017 fiscal year, the Division implement a competitive grants process for local health departments based on maternal and infant health indicators 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 Division shall develop a plan to establish a competitive grants process 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 Division 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 Division to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

SECTION 12E.11.(d) Funds for Competitive Grants Process. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health (Division), the sum of two million five hundred thousand dollars (\$2,500,000) in recurring funds for each year of the 2015-2017 fiscal biennium shall be used to establish the competitive grants process for local health departments described in subsection (c) of this section. The Division shall not use more than five percent (5%) of these funds for administrative purposes.

SECTION 12E.11.(e) Evaluation Protocol for Future Program Funding. – The Division 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.

INCREASE FEE FOR NEWBORN SCREENING PROGRAM

SECTION 12E.12.(a) G.S. 130A-125(c) reads as rewritten:

"(c) A fee of ~~nineteen-twenty-four~~ dollars (~~\$19.00~~)(~~\$24.00~~) applies to a laboratory test performed by the State Laboratory of Public Health pursuant to this section. The fee for a laboratory test is a departmental receipt of the Department and shall be used to offset the cost of the Newborn Screening Program."

SECTION 12E.12.(b) Subsection (a) of this section becomes effective October 1, 2015, and applies to fees imposed for laboratory tests performed on or after that date.

LIMITATION ON USE OF STATE FUNDS FOR FAMILY PLANNING SERVICES, PREGNANCY PREVENTION ACTIVITIES, AND ADOLESCENT PARENTING PROGRAMS

SECTION 12E.13. Of the funds appropriated in this act to the Department of Health and Human Services for the 2015-2017 fiscal biennium, no State funds shall be allocated to renewing or extending existing contracts or entering into new contracts for the provision of family planning services, pregnancy prevention activities, or adolescent parenting programs with any provider that performs abortions. This section shall not be construed to prevent the Department from paying any State Health Plan provider or Medicaid provider for services authorized under the State Health Plan or the State Medicaid Program

**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 million five hundred eighty-three thousand three hundred ninety-four dollars (\$40,583,394) for the 2015-2016 fiscal year and the sum of forty million five hundred eighty-three thousand three hundred ninety-four dollars (\$40,583,394) for the 2016-2017 fiscal year shall be used to purchase additional new or existing local inpatient psychiatric beds or bed days not currently funded by or through LME/MCOs. The Department shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by the Department. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs 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 utilized solely for individuals who are medically indigent, defined as uninsured persons who (i) are financially unable to obtain private insurance coverage as determined by the Department and (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid; and 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.(a) For the purpose of mitigating cash flow problems that many LME/MCOs experience at the beginning of each fiscal year relative to single stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS), shall distribute not less than one-twelfth of each LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year.

SECTION 12F.2.(b) The DMH/DD/SAS is directed to reduce its allocation for single stream funding by one hundred ten million eight hundred eight thousand seven hundred fifty-two dollars (\$110,808,752) in nonrecurring funds for the 2015-2016 fiscal year and by one hundred fifty-two million eight hundred fifty thousand one hundred thirty-three dollars (\$152,850,133) in nonrecurring funds for the 2016-2017 fiscal year. The DMH/DD/SAS is directed to allocate this reduction among the LME/MCOs based on the individual LME/MCO's percentage of the total cash on hand of all of the LME/MCOs in the State. Cash on hand means the sum of the "Total Cash and Investments" plus the "Short-Term Investments" reported on Schedule "A" of the financial reporting package submitted by the LME/MCOs to the Division of Medical Assistance (DMA) on June 30, 2015. The individual LME/MCO's percentage of the total cash on hand equals the individual LME/MCO's cash on hand divided by the aggregate amount of cash on hand of all of the LME/MCOs in the State. During each year of the 2015-2017 fiscal biennium, each LME/MCO shall provide at least the same level of services paid for by single stream funding during the 2014-2015 fiscal year.

SECTION 12F.2.(c) The Department shall modify the monthly reporting package submitted by the LME/MCOs to the Department to include revenues and expenditures for the State funding sources for single stream, intellectual and developmental disability, and substance abuse services on Schedule D2. Additionally, the Department shall modify appropriate schedules in the LME/MCO monthly reporting package to include unduplicated recipients and encounters in the same level of detail included in each D schedule for each source of funding for the reporting for the current and previous year's month and year-to-date periods. The Department shall submit these reports to the Joint Legislative Oversight Committee on Health and Human Services by the third Monday of each month beginning in October 2015.

SECTION 12F.2.(d) If, on or after June 1, 2016, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year 2015-2016, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single stream funding required by this section. If, on or after June 1, 2017, the OSBM certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year 2016-2017, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single stream funding required by this section. The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection among the LME/MCOs based on the individual LME/MCO's percentage of the total cash on hand of all the LME/MCOs in the State, calculated in accordance with subsection (b) of this section. These funds shall be allocated as prescribed by June 30 of each State fiscal year.

SECTION 12F.2.(e) The Department of Health and Human Services shall develop a maintenance of effort (MOE) spending requirement for all mental health and substance abuse

services which must be maintained using non-federal, State appropriations on an annual basis in order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the MOE spending requirement is met using State appropriations.

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 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.

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.

DOROTHEA DIX HOSPITAL PROPERTY FUND AND PLAN FOR USE OF FUNDS

SECTION 12F.7.(a) It is the intent of the General Assembly to use funds deposited in the Dorothea Dix Hospital Property Fund established in subsection (b) of this section to increase the availability of short-term behavioral health inpatient services around the State and to increase inpatient bed capacity for short-term care of individuals experiencing an acute mental health, substance abuse, or developmental disability crisis.

SECTION 12F.7.(b) G.S. 143C-9-2 is amended by adding a new subsection to read:

"(b1) The Dorothea Dix Hospital Property Fund is established as a separate fund within the Trust Fund. The Fund is established to receive the net proceeds from the sale of the Dorothea Dix Hospital property. Moneys in the Dorothea Dix Hospital Property Fund shall be allocated or expended only upon an act of appropriation by the General Assembly and shall not be subject to the limitations of the moneys in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs as described in subsection (b) of this section."

SECTION 12F.7.(c) Notwithstanding G.S. 146-30 or any other provision of law, the State Controller shall transfer a total of forty-nine million eight hundred ninety-nine thousand four hundred fifty-six dollars (\$49,899,456) for the 2015-2016 fiscal year from the

net proceeds of the sale of the Dorothea Dix Hospital property into the Dorothea Dix Hospital Property Fund established in G.S. 143C-9-2(b1), as enacted by subsection (b) of this section. These funds shall be available for expenditure only upon an appropriation by act of the General Assembly and 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.

SECTION 12F.7.(d) The Department of Health and Human Services (Department) shall develop a plan to use a portion of the funds deposited in the Dorothea Dix Hospital Property Fund not to exceed twenty-five million dollars (\$25,000,000) to produce 150 new behavioral health inpatient beds. The plan shall include the following components:

- (1) Conversion of existing unused physical health hospital beds in addition to the construction of new inpatient behavioral health facilities.
- (2) The plan shall allow hospitals in rural areas 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, notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary. All converted beds shall be subject to existing licensure laws and requirements.
- (3) An estimate of the amount from Dorothea Dix Hospital Property Fund needed to pay for the construction of new beds and the 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.
- (4) A method for ensuring that the 150 inpatient beds are distributed equitably around the State and that the distribution of beds addresses the projected unmet bed need in each LME/MCO catchment area as determined in the 2015 State Medical Facilities Plan produced by the Department of Health and Human Services, Division of Health Services Regulations.
- (5) A proposal for funding the recurring operating cost of the new behavioral health inpatient beds, including the identification of potential new funding sources.
- (6) The newly created behavioral health inpatient beds and facilities shall be named in honor of Dorothea Dix.

SECTION 12F.7.(e) The Department shall submit recommendations to increase the availability of community-based, behavioral health treatment and services that will reduce the need for costly emergency department and inpatient services.

SECTION 12F.7.(f) The Department shall submit the plan required by subsection (d) of this section and the recommendations required by subsection (e) of this section to the Joint Legislative Oversight Committee on Health and Human Services no later than April 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.

JOINT STUDY OF JUSTICE AND PUBLIC SAFETY AND BEHAVIORAL HEALTH

SECTION 12F.10. The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Justice and Public Safety shall each appoint a subcommittee to study the intersection of Justice and Public Safety and behavioral health and report their findings and recommendations to their respective Committees. The subcommittees shall meet jointly to study and report on the following issues:

- (1) The impact of the Justice Reinvestment Act on the State's behavioral health system, including the following:
 - a. The impact of the Justice Reinvestment Act on the demand for community-based behavioral health services available through local management entities/managed care organizations (LME/MCOs).
 - b. The change in the number of criminal offenders referred to the Treatment Accountability for Safer Communities (TASC) program since 2010 and other demands on the TASC program that have arisen since that time.
 - c. The sources and amounts of funding available to serve this population, as well as any other support or resources that are provided by the Department of Public Safety to the Department of Health and Human Services or the LME/MCOs.
 - d. An analysis of the supply and demand for behavioral health providers who serve this population.
- (2) The impact of mental illness and substance abuse on county law enforcement agencies, including the following:
 - a. The number of people with mental illness and substance abuse issues held in county jails.
 - b. The impact on local law enforcement agencies, particularly with respect to their budgets and personnel.
- (3) The impact of judicial decisions on the State's behavioral health and social services system, including the following:
 - a. The role and impact of family court decisions on the demand for and delivery of county social services.
 - b. The role and impact of decisions by drug treatment courts, veterans' mental health courts, and driving while impaired courts.
 - c. The impact of judicial decisions on the availability of beds in State-operated psychiatric facilities as a result of involuntary commitment orders and incapacity to proceed decisions.
- (4) Any other relevant issues the subcommittees jointly deem appropriate.

LME/MCO USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND SUBSTANCE ABUSE TREATMENT SERVICES

SECTION 12F.12.(a) It is the intent of the General Assembly to terminate all direct State appropriations for State-operated alcohol and drug abuse treatment centers (ADATCs) beginning with the 2015-2016 fiscal year and instead appropriate funds to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for community services in order to allow local management entities/managed care organizations (LME/MCOs) to assume responsibility for managing the full array of publicly funded substance abuse services, including inpatient services delivered through the ADATCs. To this end and notwithstanding any other provision

of law, on the effective date of this section all direct State appropriations for ADATCs are terminated and the ADATCs shall be one hundred percent (100%) receipt-supported.

SECTION 12F.12.(b) From funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to be allocated to LME/MCOs for the purchase of inpatient alcohol and substance abuse treatment services, the LME/MCOs shall use their respective fund allocations for individuals within their respective catchment areas as follows:

- (1) During the 2015-2016 fiscal year, a minimum of one hundred percent (100%) of the allocation shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs.
- (2) During the 2016-2017 fiscal year, a minimum of ninety percent (90%) of the allocation shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs. The LME/MCOs shall use the remaining ten percent (10%) of their respective allocations to purchase inpatient alcohol and substance abuse treatment services from any qualified provider.
- (3) In subsequent fiscal years, the percentage of the allocation that shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs shall decrease by ten percentage points each fiscal year after the 2016-2017 fiscal year until it reaches zero percent (0%). The percentage of the allocation remaining that shall be used to purchase inpatient alcohol and substance abuse treatment services from any qualified provider shall increase by ten percentage points each fiscal year after the 2016-2017 fiscal year until it reaches one hundred percent (100%).

SECTION 12F.12.(c) By March 1, 2016, the Department of Health and Human Services shall develop and report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division a plan to allow the ADATCs to remain one hundred percent (100%) receipt-supported. The report shall include an evaluation of (i) other community-based and residential services that could be provided by the ADATCs and (ii) potential funding sources other than payments from the LME/MCOs, including funding available from estimated receipts from Medicare, Medicaid, insurance, and self-pay.

SECTION 12F.12.(d) This section becomes effective October 1, 2015.

REPORT ON MULTIPLICATIVE AUDITING AND MONITORING OF CERTAIN SERVICE PROVIDERS

SECTION 12F.14. No later than December 1, 2015, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the status of multiplicative auditing and monitoring of all provider agencies under the Division of Mental Health, Developmental Disabilities and Substance Abuse Services, that have been nationally accredited through a recognized national accrediting body. The report shall include (i) all group home facilities licensed under Chapter 122C of the General Statutes, (ii) a complete list of all auditing and monitoring activities to which these service providers are subject, and (iii) recommendations on the removal of all unnecessary regulatory duplication to enhance efficiency.

FUNDS FOR DRUG OVERDOSE MEDICATIONS

SECTION 12F.15.(a) 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 for the purchase of opioid antagonists as defined in G.S. 90-106.2, shall be used as follows:

- (1) Twenty-five thousand dollars (\$25,000) shall be used to purchase opioid antagonists to be distributed at no charge to the North Carolina Harm Reduction Coalition to serve individuals at risk of experiencing an opioid-related drug overdose or to the friends and family members of an at-risk individual.
- (2) Twenty-five thousand dollars (\$25,000) shall be used to purchase opioid antagonists to be distributed at no charge to North Carolina law enforcement agencies.

SECTION 12F.15.(b) Funds appropriated in this act for the purposes and in the amounts specified in subsection (a) of this section shall be adjusted or eliminated if the Department is successful in obtaining grant awards or identifying other allowable receipts for this purpose. If receipts are used for this purpose, this nonrecurring appropriation shall revert to the General Fund.

STATEWIDE OPIOID PRESCRIBING GUIDELINES

SECTION 12F.16.(a) By July 1, 2016, the following State health officials and health care provider licensing boards shall adopt the North Carolina Medical Board's Policy for the Use of Opiates for the Treatment of Pain:

- (1) The Director of the Division of Public Health of the Department of Health and Human Services (DHHS).
- (2) The Director of the Division of Medical Assistance, DHHS.
- (3) The Director of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, DHHS.
- (4) The directors of medical, dental, and mental health services within the Department of Public Safety.
- (5) North Carolina State Board of Dental Examiners.
- (6) North Carolina Board of Nursing.
- (7) North Carolina Board of Podiatry Examiners.

CONTINUING EDUCATION REQUIREMENTS

SECTION 12F.16.(b) The following health care provider occupational licensing boards shall require continuing education on the abuse of controlled substances as a condition of license renewal for health care providers who prescribe controlled substances:

- (1) North Carolina Board of Dental Examiners.
- (2) North Carolina Board of Nursing.
- (3) North Carolina Board of Podiatry Examiners.
- (4) North Carolina Medical Board.

SECTION 12F.16.(c) In establishing the continuing education standards, the boards listed in subsection (b) of this section shall require that at least one hour of the total required continuing education hours consists of a course designed specifically to address prescribing practices. The course shall include, but not be limited to, instruction on controlled substance prescribing practices and controlled substance prescribing for chronic pain management.

IMPROVE CONTROLLED SUBSTANCES REPORTING SYSTEM ACCESS AND UTILIZATION

SECTION 12F.16.(d) G.S. 90-113.74 reads as rewritten:

"§ 90-113.74. Confidentiality.

(a) Prescription information submitted to the Department is privileged and confidential, is not a public record pursuant to G.S. 132-1, is not subject to subpoena or discovery or any other use in civil proceedings, and except as otherwise provided below may only be used (i) for investigative or evidentiary purposes related to violations of State or federal law and law, (ii) for regulatory activities, activities, or (iii) to inform medical records or clinical care. Except as otherwise provided by this section, prescription information shall not be disclosed or disseminated to any person or entity by any person or entity authorized to review prescription information.

...
(c) The Department shall release data in the controlled substances reporting system to the following persons only:

- ...
(8) Any county medical examiner appointed by the Chief Medical Examiner pursuant to G.S. 130A-382 and the Chief Medical Examiner, for the purpose of investigating the death of an individual.
- (9) The federal Drug Enforcement Administration's Office of Diversion Control.
- (10) The North Carolina Health Information Exchange Authority (NC HIE Authority), established under Article 29B of this Chapter, through Web-service calls.

....."
SECTION 12F.16.(e) The Department of Health and Human Services shall adopt appropriate policies and procedures documenting and supporting the additional functionality and expanded access added by subsection (d) of this section for the Controlled Substances Reporting System (CSRS) for the entities added to G.S. 90-113.74(c) by subsection (d) of this section and shall amend its contract with the vendor that operates the CSRS to support the additional functionality and expanded access to the CSRS.

IMPROVE CONTROLLED SUBSTANCES REPORTING SYSTEM CONTRACT

SECTION 12F.16.(f) The Department of Health and Human Services (DHHS) shall modify the contract for the Controlled Substances Reporting System (CSRS) to improve performance, establish user access controls, establish data security protocols, and ensure availability of data for advanced analytics. Specifically, the contract shall be modified to include the following:

- (1) A connection to the HIE Network administered by the North Carolina Health Information Exchange Authority (NC HIE Authority).
- (2) The establishment of interstate connectivity.
- (3) Data security protocols that meet or exceed the Federal Information Processing Standards (FIPS) established by the National Institute of Standards and Technology (NIST).

SECTION 12F.16.(g) DHHS shall complete the contract modifications required by subsection (f) of this section by December 31, 2015. DHHS shall report by November 15, 2015, to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services regarding the progress to modify the contract.

SECTION 12F.16.(h) DHHS shall apply for grant funding from the National Association of Boards of Pharmacy to establish the connection to PMP InterConnect. The Department shall request forty thousand thirty-five dollars (\$40,035) to establish the initial interface for PMP InterConnect and thirty thousand dollars (\$30,000) for two years of ongoing service, maintenance, and support for PMP InterConnect in order to create interstate connectivity for the drug monitoring program as required by subdivision (2) of subsection (f) of this section.

SECTION 12F.16.(i) 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 CSRS shall be used as follows:

- (1) For the 2015-2016 fiscal year, the sum of forty thousand thirty-five dollars (\$40,035) shall be used to connect the CSRS and the HIE Network administered by the NC HIE Authority, as required by subdivision (1) of subsection (f) of this section.
- (2) For the 2015-2016 fiscal year and for the 2016-2017 fiscal year, the sum of fifteen thousand dollars (\$15,000) shall be used to maintain a connection between the CSRS and the HIE Network administered by the NC HIE Authority, as required by subdivision (1) of subsection (f) of this section.
- (3) For the 2015-2016 fiscal year, the sum of forty thousand thirty-five dollars (\$40,035) shall be used to establish the initial interface for PMP InterConnect, as required by subdivision (2) of subsection (f) of this section. This amount shall be adjusted or eliminated if DHHS is successful in obtaining grant awards or identifying other allowable receipts for this purpose. If receipts are used for this purpose, this nonrecurring appropriation shall revert to the General Fund.
- (4) For the 2015-2016 fiscal year, the sum of fifteen thousand dollars (\$15,000) shall be used for the cost of annual service fees for the interstate connection for the drug monitoring program, as required by subdivision (2) of subsection (f) of this section. This amount shall be adjusted or eliminated if DHHS is successful in obtaining grant awards or identifying other allowable receipts for this purpose. If receipts are used for this purpose, this nonrecurring appropriation shall revert to the General Fund.

EXPAND MONITORING CAPACITY

SECTION 12F.16.(j) The North Carolina Controlled Substances Reporting System shall expand its monitoring capacity by establishing data use agreements with the Prescription Behavior Surveillance System. In order to participate, the CSRS shall establish a data use agreement with the Center of Excellence at Brandeis University no later than January 1, 2016.

SECTION 12F.16.(k) Beginning September 1, 2016, and every two years thereafter, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the Department of Health and Human Services shall report on its participation with the Prescription Behavior Surveillance System to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Justice and Public Safety.

MEDICAID LOCK-IN PROGRAM

SECTION 12F.16.(l) The Division of Medical Assistance of the Department of Health and Human Services (DMA) shall take the following steps to improve the effectiveness and efficiency of the Medicaid lock-in program:

- (1) Establish written procedures for the operation of the lock-in program, including specifying the responsibilities of DMA and the program contractor.
- (2) Establish procedures for the sharing of bulk data with the Controlled Substances Regulatory Branch.
- (3) In consultation with the Physicians Advisory Group, extend lock-in duration to two years and revise program eligibility criteria to align the program with the statewide strategic goals for preventing prescription drug abuse. DMA shall report an estimate of the cost-savings from the revisions to the eligibility criteria to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services within one year of the lock-in program again becoming operational.
- (4) Develop a Web site and communication materials to inform lock-in enrollees, prescribers, pharmacists, and emergency room health care providers about the program.
- (5) Increase program capacity to ensure that all individuals who meet program criteria are locked in.
- (6) Conduct an audit of the lock-in program within six months after the effective date of this act in order to evaluate the effectiveness of program restrictions in preventing overutilization of controlled substances, identify any program vulnerabilities, and address whether there is evidence of any fraud or abuse within the program.

DMA shall report to the Joint Legislative Program Evaluation Oversight Committee by September 30, 2015, on its progress toward implementing all items included in this section.

STATEWIDE STRATEGIC PLAN

SECTION 12F.16.(m) There is hereby created the Prescription Drug Abuse Advisory Committee, to be housed in and staffed by the Department of Health and Human Services (DHHS). The Committee shall develop and, through its members, implement a statewide strategic plan to combat the problem of prescription drug abuse. The Committee shall include representatives from the following, as well as any other persons designated by the Secretary of Health and Human Services:

- (1) The Division of Medical Assistance, DHHS.
- (2) The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, DHHS.
- (3) The Division of Public Health, DHHS.
- (4) The Rural Health Section of the Division of Public Health, DHHS.
- (5) The State Bureau of Investigation.
- (6) The Attorney General's Office.
- (7) The following health care regulatory boards with oversight of prescribers and dispensers of prescription drugs:
 - a. North Carolina Board of Dental Examiners.
 - b. North Carolina Board of Nursing.

- c. North Carolina Board of Podiatry Examiners.
- d. North Carolina Medical Board.
- e. North Carolina Board of Pharmacy.
- (8) The UNC Injury Prevention Research Center.
- (9) The substance abuse treatment community.
- (10) Governor's Institute on Substance Abuse, Inc.
- (11) The Department of Insurance's drug take-back program.

After developing the strategic plan, the Committee shall be the State's steering committee to monitor achievement of strategic objectives and receive regular reports on progress made toward reducing prescription drug abuse in North Carolina.

SECTION 12F.16.(n) In developing the statewide strategic plan to combat the problem of prescription drug abuse, the Prescription Drug Abuse Advisory Committee shall, at a minimum, complete the following steps:

- (1) Identify a mission and vision for North Carolina's system to reduce and prevent prescription drug abuse.
- (2) Scan the internal and external environment for the system's strengths, weaknesses, opportunities, and challenges (a SWOC analysis).
- (3) Compare threats and opportunities to the system's ability to meet challenges and seize opportunities (a GAP analysis).
- (4) Identify strategic issues based on SWOC and GAP analyses.
- (5) Formulate strategies and resources for addressing these issues.

SECTION 12F.16.(o) The strategic plan for reducing prescription drug abuse shall include three to five strategic goals that are outcome-oriented and measurable. Each goal must be connected with objectives supported by the following five mechanisms of the system:

- (1) Oversight and regulation of prescribers and dispensers by State health care regulatory boards.
- (2) Operation of the Controlled Substances Reporting System.
- (3) Operation of the Medicaid lock-in program to review behavior of patients with high use of prescribed controlled substances.
- (4) Enforcement of State laws for the misuse and diversion of controlled substances.
- (5) Any other appropriate mechanism identified by the Committee.

SECTION 12F.16.(p) DHHS, in consultation with the Prescription Drug Abuse Advisory Committee, shall develop and implement a formalized performance management system that connects the goals and objectives identified in the statewide strategic plan to operations of the Controlled Substances Reporting System and Medicaid lock-in program, law enforcement activities, and oversight of prescribers and dispensers. The performance management system must be designed to monitor progress toward achieving goals and objectives and must recommend actions to be taken when performance falls short.

SECTION 12F.16.(q) Beginning on December 1, 2016, and annually thereafter, DHHS shall submit an annual report on the performance of North Carolina's system for monitoring prescription drug abuse to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Justice and Public Safety.

EFFECTIVE DATE

SECTION 12F.16.(r) Subdivision (1) of Section 12F.16(f) of this act becomes effective upon the establishment of the HIE Network pursuant to Section 12A.5 of this act. The remainder of this section is effective when it becomes law.

ELIMINATE PUBLICATION/ACCESS NORTH CAROLINA TRAVEL GUIDE

SECTION 12F.17. G.S. 168-2 is repealed.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

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.(a1) The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services by March 1, 2016, containing at least the following information:

- (1) The number of licensed special care units in the State.
- (2) The capacity of the currently licensed special care units to serve people in need of their services.
- (3) The anticipated growth in the number of people who will need the services of a licensed special care unit.
- (4) The number of applications received from special care units seeking licensure as permitted by this section, and the number of those applications that were not approved.

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 for a specified period of time to adults who may be physically or mentally disabled in order to provide temporary relief for a caregiver and includes services provided by any facility certified to provide adult day care services pursuant to G.S. 131D-6, or adult day health services pursuant to 10A NCAC, Chapter 06, Subchapter S, or both. Overnight respite services may include the services of the adult day care program or the adult day health program.

(b) Any facility described under subsection (a) of this section seeking to offer overnight respite services shall apply to the Department for licensure to offer a program of overnight respite services. The Department shall annually license facilities providing a program of overnight respite services under rules adopted by the Medical Care Commission 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 a program of overnight respite services for compliance with the rules adopted by the Medical Care Commission pursuant to subsection (c) of this section.

(c) The Medical Care Commission shall adopt rules governing the licensure of adult day care and adult day health facilities providing a program of overnight respite services in accordance with this section. The Medical Care Commission shall seek input from stakeholders before proposing rules for adoption as required by this subsection. The rules shall limit the provision of overnight respite services 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 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.
- (11) Personal care, supervision, and other services.

(d) The Medical Care Commission shall, as necessary, amend the rules pertaining to the provision of respite care in adult care homes and family care homes to address each of the categories enumerated in subsection (c) of this section.

(e) The Division of Health Service Regulation shall have the authority to enforce the rules adopted by the Medical Care Commission under subsections (c) and (d) of this section and shall be responsible for conducting annual inspections and investigating complaints pertaining to overnight respite services in facilities licensed to provide a program of overnight respite services.

(f) Each facility 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.

(g) The Division of Health Service Regulation is authorized to do both of the following with respect to a facility licensed to provide overnight respite services under this section in a manner that complies with the provisions of G.S. 131D-2.7:

- (1) Suspend admissions to programs of overnight respite services in facilities licensed to provide these services.
- (2) Suspend or revoke a facility's license to provide a program of overnight respite services.

(h) 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.

(i) The Department shall charge each adult day care and each adult day health facility seeking to provide overnight respite services a nonrefundable initial licensure fee of three hundred fifty dollars (\$350.00) and a nonrefundable annual renewal licensure fee in the amount of three hundred fifteen dollars (\$315.00)."

SECTION 12G.3.(b) G.S. 131D-6(b) reads as rewritten:

"(b) As used in this section "adult day care program" means the provision of group care and supervision in a place other than their usual place of abode on a less than 24-hour basis to adults who may be physically or mentally ~~disabled-disabled~~, except that an adult day care program provider may provide overnight respite services on a 24-hour basis in accordance with G.S. 131D-6.1. The Department of Health and Human Services shall annually inspect and certify all adult day care programs, under rules adopted by the Social Services Commission. The Social Services Commission shall adopt rules to protect the health, safety, and welfare of persons in adult day care programs. These rules shall include minimum standards relating to management of the program, staffing requirements, building requirements, fire safety, sanitation, nutrition, and program activities. Adult day care programs are not required to provide transportation to participants; however, those programs that choose to provide transportation shall comply with rules adopted by the Commission for the health and safety of participants during transport.

The Department of Health and Human Services shall enforce the rules of the Social Services Commission."

SECTION 12G.3.(c) 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
<u>Adult Day Care Overnight Respite Facility</u>	<u>\$225.00 flat fee</u>

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.(d) 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.(e) 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 (i) an adult day care or adult day health facility licensed to provide a program of overnight respite under G.S. 131D-6.1, as enacted by subsection (a) of this section, (ii) an adult care home, or (iii) a family care home to provide overnight respite services to caregivers of older adults from funds received under the Home and Community Care Block Grant.

SECTION 12G.3.(f) 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.

SECTION 12G.3.(g) The overnight respite pilot program authorized under S.L. 2011-104 is repealed on the earlier of June 30, 2017, or the date the overnight respite licensure process established pursuant to G.S. 131D-6.1, as enacted by subsection (a) of this section, is implemented and fully operational. For the purpose of this subsection, the overnight respite licensure process shall not be deemed fully operational prior to the adoption of rules pursuant to G.S. 131D-6.1(c), as enacted by subsection (a) of this section. The Department of Health and Human Services shall report to the Revisor of Statutes the date that G.S. 131D-6.1, as enacted by subsection (a) of this section, is implemented and fully operational.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

REINSTATE MEDICAID ANNUAL REPORT

SECTION 12H.1.(a) 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.

SECTION 12H.1.(b) If the Department of Health and Human Services, Division of Medical Assistance, has not complied with the requirements of subsection (a) of this section by June 1, 2016, then the Office of State Budget and Management shall not allot any funds to the Department of Health and Human Services, Division of Central Management and Support, until the 2015 Medicaid Annual Report and accompanying tables have been published in accordance with subsection (a) of this section.

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	Medically Needy
	Income Level	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 November 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 recertifying 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) Any State Plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e) but shall be submitted by January 1, 2016.

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, one million dollars (\$1,000,000) 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.

SECTION 12H.6.(d) The waiver and any State Plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

STUDY MEDICAID COVERAGE FOR VISUAL AIDS

SECTION 12H.6A. The Department of Health and Human Services, Division of Medical Assistance, in consultation with the Department of Public Safety, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2016, containing an analysis of the fiscal impact to the State of reinstating Medicaid coverage for visual aids for adults utilizing a contract with the Department of Public Safety for fabrication of the eyeglasses at Nash Optical Plant Optical Laboratory. The report shall also analyze the cost of reinstating Medicaid coverage for routine eye examinations for adults in addition to the coverage for visual aids.

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."

LME/MCO INTERGOVERNMENTAL TRANSFERS

SECTION 12H.8. The local management entities/managed care organizations (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human Services, Division of Medical Assistance, in an aggregate amount of seventeen million two

hundred thirty-six thousand nine hundred eighty-five dollars (\$17,236,985) in each year of the 2015-2017 fiscal biennium, and this amount shall be referred to as the aggregate amount of the transfer. The amount of the intergovernmental transfer that an individual LME/MCO is required to make in each fiscal year shall equal the aggregate amount of the transfer multiplied by the individual LME/MCO's percentage of the total Medicaid cash on hand of all of the LME/MCOs in the State. Medicaid cash on hand means the sum of the "Medicaid Cash and Investments" plus the "Short-Term Investments" reported on Schedule "A" of the financial reporting package submitted by the LME/MCOs to the Division of Medical Assistance for June 30, 2015. The individual LME/MCO's percentage of the total Medicaid cash on hand equals the individual LME/MCO's cash on hand divided by the aggregate amount of cash on hand of all of the LME/MCOs in the State.

ADMINISTRATIVE HEARINGS FUNDING

SECTION 12H.9. Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, for administrative contracts and interagency transfers, 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.

MISCELLANEOUS HEALTH CHOICE PROVISIONS

SECTION 12H.14.(a) Subsections (g) and (h) of G.S. 108A-70.21 are repealed.

SECTION 12H.14.(b) 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.(c) Any State plan amendments required to implement this section shall not be subject to the 90-day prior submission requirements of G.S. 108A-54.1A(e) and G.S. 108A-70.25(b).

SECTION 12H.14.(d) This section is effective when this act becomes law.

REINSTATE COST SETTLEMENT PURSUANT TO 1993 STATE AGREEMENT

SECTION 12H.17.(a) Effective July 1, 2015, the cost settlement for outpatient Medicaid services performed by Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, shall be at one hundred percent (100%) of allowable costs.

SECTION 12H.17.(b) Any State Plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

COVERED SERVICES AND PAYMENT FOR SERVICES

SECTION 12H.18. Except as otherwise specifically provided in this act or another act passed during the 2015 Regular Session, the authorized State plan services, co-pays, reimbursement rates, and fees shall remain the same as those authorized as of June 30, 2015.

DRUG REIMBURSEMENT USING AVERAGE ACQUISITION COST

SECTION 12H.19.(a) The Department of Health and Human Services, Division of Medical Assistance, (Department) shall adopt an average acquisition cost methodology for brand and generic drug ingredient pricing to be effective beginning on January 1, 2016. The drug ingredient pricing methodology shall be consistent with new federal requirements or, if the new federal requirements have not yet been finalized by July 1, 2015, consistent with the most recent draft federal requirements. In adopting a new drug ingredient pricing methodology, the Department shall also do all of the following:

- (1) Raise the average dispensing fee to a weighted average amount that does not exceed twelve dollars and forty cents (\$12.40).
- (2) Set actual dispensing fees that maintain a higher dispensing fee for preferred and generic drugs and a lower dispensing fee for brand and nonpreferred drugs.
- (3) Ensure that ingredient prices are updated at least monthly.

SECTION 12H.19.(b) In order to implement this section, the Department shall either amend the State plan amendment request submitted to the Centers for Medicare and Medicaid Services (CMS) pursuant to Section 12H.8 of S.L. 2014-100 so that it conforms with the requirements of this section or shall withdraw that State plan amendment and submit a new State plan amendment request to CMS that conforms with the requirements of this section. Any State plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e) but shall be submitted by January 1, 2016.

MEDICAID DENTAL SERVICE COST SETTLEMENT

SECTION 12H.20.(a) The Department of Health and Human Services, Division of Medical Assistance, shall submit a State Plan amendment request to the Centers for Medicare

and Medicaid Services to assure that all State-operated dental schools receive the same reimbursement for dental services provided to North Carolina Medicaid beneficiaries.

SECTION 12H.20.(b) The State Plan amendment required by this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

MOBILE DENTAL PROVIDER ENROLLMENT

SECTION 12H.21.(a) For mobile dental providers seeking enrollment as a Medicaid provider, and upon reenrollment of current Medicaid mobile dental providers, the Department of Health and Human Services, Division of Medicaid Assistance, shall require as a condition of enrollment or reenrollment that the mobile dental provider show proof of a contractual affiliation with a dental practice that is not mobile, and the Department shall require the mobile dental provider to use the National Provider Identifier (NPI) of the nonmobile dental practice for purposes of filing claims.

SECTION 12H.21.(b) This section is effective when this act becomes law.

INCREASE RATES FOR PRIVATE DUTY NURSING

SECTION 12H.22.(a) Effective January 1, 2016, the Department of Health and Human Services, Division of Medical Assistance, shall increase by ten percent (10%) the rate paid for private duty nursing services provided pursuant to Clinical Coverage Policy 3G.

SECTION 12H.22.(b) Any State plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e) but shall be submitted by January 1, 2016.

RESTRICTING GRADUATE MEDICAL PAYMENTS

SECTION 12H.23.(a) The Department of Health and Human Services shall submit a State Plan amendment to modify Section 4.19-A of the Medicaid State Plan, such that, effective January 1, 2016, no Medicaid provider may receive reimbursement for Graduate Medical Education (GME) in addition to their DRG Unit Value (Base) rate under the methodology as defined in the current Medicaid State Plan.

SECTION 12H.23.(b) The modification to the Medicaid State Plan required by subsection (a) of this section shall be implemented upon approval by the Centers for Medicare & Medicaid Services (CMS).

SECTION 12H.23.(c) The Department of Health and Human Services, Division of Medical Assistance, shall be exempt from the 90-day prior submission requirement in G.S. 108A-54.1A(e) in order to submit to CMS the State Plan amendment required to implement this section but shall submit the State Plan amendment by January 1, 2016.

SECTION 12H.23.(d) The Department of Health and Human Services, Division of Medical Assistance, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2016, identifying options for alternative funding streams to replace the GME reimbursement eliminated by this section.

MEDICAID TRANSFORMATION ENACTMENT CONTINGENCY

SECTION 12H.25.(a) If House Bill 372 of the 2015 Regular Session is not ratified prior to March 1, 2016, containing a plan for Medicaid transformation, then the following shall occur:

- (1) Effective March 1, 2016, the current Medicaid and NC Health Choice primary care case management (PCCM) program is discontinued. If CMS has not approved the State Plan amendment by March 1, 2016, the Department of Health and Human Services nevertheless shall discontinue all payments related to the PCCM program beginning March 1, 2016, unless and until CMS denies the State Plan amendment. This requirement shall result in savings that shall be used to offset the requirements of subdivisions (2) and (3) of this subsection in the following amounts: sixteen million eight hundred nineteen thousand seven hundred twenty-three dollars (\$16,819,723) for fiscal year 2015-2016 and fifty million four hundred fifty-nine thousand one hundred sixty-eight dollars (\$50,459,168) for fiscal year 2016-2017.

- (2) Effective March 1, 2016, the rates paid to primary care physicians shall be one hundred percent (100%) of Medicare rates. For purposes of this subdivision, the term primary care physicians refers to those physicians for whom the Affordable Care Act required payment at one hundred percent (100%) of the Medicare rate until January 1, 2015, and all OB/GYN physicians. Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, the sum of twelve million four hundred ninety-nine thousand one hundred sixty-three dollars (\$12,499,163) for fiscal year 2015-2016 and the sum of thirty-seven million four hundred ninety-seven thousand four hundred ninety dollars (\$37,497,490) for fiscal year 2016-2017 shall be used to implement the changes required by this subdivision.
- (3) Effective March 1, 2016, the Department of Health and Human Services, Division of Medical Assistance, shall use four million three hundred twenty thousand five hundred fifty-nine dollars (\$4,320,559) in fiscal year 2015-2016 and twelve million nine hundred sixty-one thousand six hundred sixty-eight dollars (\$12,968,668) in fiscal year 2016-2017 to directly fund local health departments' continued services related to the Care Coordination for Children (CC4C) program, which was previously funded through the contract with NCCCN.

SECTION 12H.25.(b) If House Bill 372 of the 2015 Regular Session is not ratified prior to March 1, 2016, containing a plan for Medicaid transformation, then G.S. 108A-70.21(b) reads as rewritten:

"(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:

...
No benefits are to be provided for services and materials under this subsection that do not meet the standards accepted by the American Dental Association.

~~The Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina (CCNC) and shall pay Community Care of North Carolina providers the per member, per month fees as allowed under Medicaid."~~

SECTION 12H.25.(c) Any State Plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

NC HEALTH CHOICE COST SETTLEMENT

SECTION 12H.26.(a) Effective October 1, 2015, hospital outpatient services covered by NC Health Choice shall be cost settled at seventy percent (70%) of allowable costs, using the same methodology that is used for Medicaid.

SECTION 12H.26.(b) G.S. 108A-70.21, as amended by S.L. 2015-96, Section 4, reads as rewritten:

"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.

...
(b1) Payments. – Prescription drug providers shall accept as payment in full, for outpatient prescriptions filled, amounts allowable for prescription drugs under Medicaid. For all other providers, services provided to children enrolled in the Program shall be provided at rates equivalent to one hundred percent (100%) of Medicaid rates, less any co-payments assessed to enrollees under this Part. ~~Payments to NC Health Choice Program providers under this Part shall be paid in full and shall not be subject to cost settlement.~~
...."

SECTION 12H.26.(c) Any State Plan amendments required to implement this section shall not be subject to the 90-day prior submission requirements of G.S. 108A-54.1A(e) and G.S. 108A-70.25(b).

BLOOD GLUCOSE TESTING EQUIPMENT AND SUPPLIES

SECTION 12H.27.(a) Notwithstanding any other provision of law, the Department of Health and Human Services, Division of Medical Assistance, (Department) is authorized to use any reimbursement methodology or arrangement to provide Medicaid coverage for blood glucose testing equipment and supplies, provided that the Department's total requirements, net of rebates, for providing blood glucose testing equipment and supplies does not exceed one million nine hundred thirty-three thousand three hundred fifty-seven dollars (\$1,933,357) in fiscal year 2015-2016 and two million twenty thousand nine hundred seventy-four dollars (\$2,020,974) in fiscal year 2016-2017.

SECTION 12H.27.(b) Any state plan amendment submitted to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

MEDICAID CONTINGENCY RESERVE

SECTION 12H.28.(a) Funds in the Medicaid Contingency Reserve established by Section 12H.38 of S.L. 2014-100 shall be used only for budget shortfalls in the Medicaid Program that occur during the 2015-2016 fiscal year. These funds shall be available for expenditure only upon an appropriation by act of the General Assembly.

SECTION 12H.28.(b) It is the intent of the General Assembly to appropriate funds from the Medicaid Contingency Reserve only if:

- (1) The Director of the Budget, after the State Controller has verified that receipts are being used appropriately, has found that additional funds are needed to cover a shortfall in the Medicaid budget for the State fiscal year.
- (2) The Director of the Budget has reported immediately to the Fiscal Research Division on the amount of the shortfall found in accordance with subdivision (1) of this subsection. This report shall include an analysis of the causes of the shortfall, such as (i) unanticipated enrollment and mix of enrollment, (ii) unanticipated growth or utilization within particular service areas, (iii) errors in the data or analysis used to project the Medicaid budget, (iv) the failure of the program to achieve budgeted savings, (v) other factors and market trends that have impacted the price of or spending for services, (vi) variations in receipts from prior years or from assumptions used to prepare the Medicaid budget for the current fiscal year, or (vii) other factors. The report shall also include data in an electronic format that is adequate for the Fiscal Research Division to confirm the amount of the shortfall and its causes.

SECTION 12H.28.(c) Nothing in this section shall be construed to limit the authority of the Governor to carry out his duties under the Constitution.

MEDICAID TRANSFORMATION FUND

SECTION 12H.29. The Medicaid Transformation Fund is established as a special fund in the Office of State Budget and Management. The purpose of the Medicaid Transformation Fund is to provide funds for converting from a fee-for-service payment system to a capitated payment system.

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 FAMILIES (TANF) FUNDS

FY 2015-2016 FY 2016-2017

Local Program Expenditures

Division of Social Services

01. Work First Family Assistance \$57,167,454 \$57,167,454

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 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
Division of Child Development and Early Education		
07. Subsidized Child Care Program	35,248,910	37,419,801
08. Swap Child Care Subsidy	6,352,644	6,352,644
09. Pre-K Swap Out	16,829,306	12,333,981
Division of Public Health		
10. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
DHHS Administration		
11. Division of Social Services	2,482,260	2,482,260
12. Office of the Secretary	34,042	34,042
13. Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640
14. NC FAST Implementation	1,313,384	1,865,799
Transfers to Other Block Grants		
Division of Child Development and Early Education		
15. Transfer to the Child Care and Development Fund	71,773,001	71,773,001
Division of Social Services		
16. Transfer to Social Services Block Grant for Child Protective Services – Training	1,300,000	1,300,000
17. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
18. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	4,148,001
19. Transfer to Social Services Block Grant – Foster Care Services	1,385,152	1,385,152
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	\$303,306,543	\$300,982,109

**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)	\$27,335,458	\$27,108,324
02. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000
03. State In-Home Services Fund	2,209,023	1,943,950
04. Adult Protective Services	1,245,363	1,245,363
05. State Adult Day Care Fund	2,039,647	1,994,084
06. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07. Special Children Adoption Incentive Fund	462,600	462,600
08. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	1,300,000	1,300,000
09. Home and Community Care Block Grant (HCCBG)	1,788,157	1,696,888
10. Child Advocacy Centers	375,000	375,000
11. Guardianship	4,107,032	4,035,704
12. Foster Care Services (Transfer From TANF)	1,385,152	1,385,152

Division of Central Management and Support

13. DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
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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)	\$154,278,008	\$152,370,856
02. Electronic Tracking System	1,201,240	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)	26,514,964	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	\$279,972,606	\$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; Community-Based Sickle Cell Centers \$100,000)	\$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; Carolina Pregnancy Care Fellowship \$300,000)	6,520,148	6,520,148
03. Oral Health	44,901	44,901
04. Evidence-Based Programs in Counties With Highest Infant Mortality Rates	1,575,000	1,575,000
DHHS Program Expenditures		
Division of Public Health		
05. Children's Health Services	1,342,928	1,342,928
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	\$2,444,718	\$2,642,322
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	320,074	451,809
06. Laboratory Services – Testing, Training, and Consultation	21,012	21,012
07. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	192,315
08. State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
09. Performance Improvement and Accountability	702,850	768,717
10. State Center for Health Statistics	107,291	107,291

DHHS Administration

Division of Public Health

11. Division of Public Health	172,820	172,820
12. Division of Public Health – Physical Activity and Nutrition Branch	1,311,972	68,073

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT

\$8,548,836 **\$4,943,288**

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

**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 12L1.(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 12L1.(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. The Division shall also have the authority to realign appropriated funds from Work First Family Assistance for electing counties to the Work First County Block Grant for electing counties based on current year expenditures so long as the electing counties meet Maintenance of Effort requirements.

SECTION 12L1.(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 12L1.(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.

SOCIAL SERVICES BLOCK GRANT

SECTION 12L1.(j) The sum of twenty-seven million three hundred thirty-five thousand four hundred fifty-eight dollars (\$27,335,458) 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, as well as State Social Services Block Grant funds, among the State-level services based on current year actual expenditures.

SECTION 12L1.(k) 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.(l) 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.(m) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund will require a fifty-percent (50%) local match.

SECTION 12I.1.(n) 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 governments 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.(o) 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.(p) 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.(q) The sum of four million one hundred seven thousand thirty-two dollars (\$4,107,032) 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.(r) 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.(s) 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 12L.1.(t) 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 and Early Education for the subsidized child care program.

SECTION 12L.1.(u) 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 12L.1.(v) 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 12L.1.(w) 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 12L.1.(x) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 12L.1.(y) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SECTION 12L1.(z) The sum of one million five hundred seventy-five thousand dollars (\$1,575,000) 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 the 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.

SECTION 12L1.(aa) The sum of one hundred thousand dollars (\$100,000) allocated 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 for community-based sickle cell centers shall not be used to supplant existing State or federal funds.

SECTION 12L1.(bb) No more than fifteen percent (15%) of the funds provided in this section in the Maternal and Child Health Block Grant to Carolina Pregnancy Care Fellowship shall be used for administrative purposes. The balance of those funds shall be used for direct services.

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

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) Five hundred thousand dollars (\$500,000) to the Agriculture Cost Share Program for Nonpoint Source Pollution Control.
- (4) Five hundred thousand dollars (\$500,000) to the Department's Bioenergy Development Program.

The funds allocated under subdivisions (3) and (4) of this section shall be used only for projects in the counties of Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, and Yancey.

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."

SPAY/NEUTER PROGRAM REVISIONS

SECTION 13.7.(a) G.S. 19A-63 reads as rewritten:

"§ 19A-63. Eligibility for distributions from Spay/Neuter Account. Account; Definitions.

(a) A county or city is eligible for reimbursement from the Spay/Neuter Account if it meets the following condition:

- (1) The county or city offers one or more of the following programs to low-income persons on a year-round basis for the purpose of reducing the cost of spaying and neutering procedures for dogs and cats:
 - a. A spay/neuter clinic operated by the county or city.
 - b. A spay/neuter clinic operated by a ~~private~~ non-profit organization under contract or other arrangement with the county or ~~city~~ city, provided that the non-profit organization contracts with a local veterinarian to perform the spay/neuter procedures.
 - c. A contract or contracts with one or more veterinarians, whether or not located within the county, to provide reduced-cost spaying and neutering procedures.
 - d. Subvention of the spaying and neutering costs incurred by low-income pet owners through the use of vouchers or other procedure that provides a discount of the cost of the spaying or neutering procedure fixed by a participating ~~veterinarian or other provider~~ veterinarian.
 - e. Subvention of the spaying and neutering costs incurred by persons who adopt a pet from an animal shelter operated by or under contract with the county or city.
- (2) Reserved for future codification purposes.

(b) ~~For purposes of this Article, the term "low income person" shall mean~~ The following definitions apply in this Article:

- (1) Local veterinarian. – A veterinarian licensed by the North Carolina Veterinary Medical Board under Article 11 of Chapter 90 of the General Statutes and practicing within the county where the services are provided. If no licensed veterinarian practices within that county, then a local veterinarian is a licensed veterinarian practicing in a county adjacent to the county where the services are provided. For purposes of this definition, "practicing" means engaging in the practice of veterinary medicine, as defined in Article 11 of Chapter 90 of the General Statutes.
- (2) ~~Low-income person. – an An individual who qualifies for one or more of the programs of public assistance administered by the Department of Health and~~

~~Human Services pursuant to Chapter 108A of the General Statutes or whose annual household income is under three hundred percent (300%) lower than one hundred percent (100%) of the federal poverty level guidelines published by the United States Department of Health and Human Services.~~

(c) Each county shall make rules or publish guidelines that designate what proof a low-income person must submit to establish that the person ~~qualifies for public assistance under subsection (b) of this section or~~ has an annual household income lower than ~~three hundred percent (300%)~~ one hundred percent (100%) of the federal poverty level guidelines published by the United States Department of Health and Human Services.

(d) Each county shall provide the opportunity to participate in the program created by this Article to all local veterinarians. Proof of the provision of this opportunity shall be included in the first reimbursement request of each calendar year."

SECTION 13.7.(b) Chapter 19A of the General Statutes is amended by adding a new Article to read:

"Article 5A.

"Animal Shelter Support Fund.

"§ 19A-67. Animal Shelter Support Fund.

(a) Creation. – The Animal Shelter Support Fund is established as a special fund in the Department of Agriculture and Consumer Services. The Fund consists of appropriations by the General Assembly or contributions and grants from public or private sources.

(b) Use. – The Fund shall be used by the Animal Welfare Section of the Department of Agriculture and Consumer Services to reimburse local governments for expenses related to their operation of a registered animal shelter due to any of the following:

(1) The denial, suspension, or revocation of the shelter's registration.

(2) An unforeseen catastrophic disaster at an animal shelter.

(c) Rules. – The Animal Welfare Section shall issue rules detailing eligible expenses and application guidelines that comply with the requirements of this Article.

(d) Reversion. – Any appropriated and unencumbered funds remaining at the end of each fiscal year in excess of two hundred fifty thousand dollars (\$250,000) shall revert to the General Fund.

"§ 19A-68. Distributions to counties and cities from Animal Shelter Support Fund.

(a) Reimbursable Costs. – Local governments eligible for distributions from the Animal Shelter Support Fund may receive reimbursement only for the direct operational costs of the animal shelter following an event described in G.S. 19A-67(b). For purposes of this subsection, direct operational costs shall include veterinary services, sanitation services and needs, animal sustenance and supplies, and temporary housing and sheltering. Counties and cities shall not be reimbursed for administrative costs or capital expenditures for facilities and equipment.

(b) Cost-Share. – A local government requesting distributions from the Animal Shelter Support Fund must provide a local match based on their most recent development tier designation as defined in G.S. 143B-437.08. Local governments located in development tier one counties must provide a match equivalent to one dollar (\$1.00) for every three dollars (\$3.00) distributed from the Fund. Local governments located in development tier two counties must provide a match equivalent to one dollar (\$1.00) for every two dollars (\$2.00) distributed from the Fund. Local governments located in development tier three counties must provide a match equivalent to one dollar (\$1.00) for every one dollar (\$1.00) distributed from the Fund.

(c) Application. – A county or city eligible for reimbursement from the Animal Shelter Support Fund shall apply to the Department of Agriculture and Consumer Services within 60 days of when the reimbursable cost has been incurred. The application shall be submitted in the form required by the Department and shall include an itemized listing of the costs for which reimbursement is sought.

(d) Distribution. – The Department shall make payments from the Animal Shelter Support Fund to eligible counties and cities that have made timely application for reimbursement within 30 days of receipt of requests.

"§ 19A-69. Report.

The Department shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than March 1. The report shall contain information regarding all revenues and expenditures of the Animal Shelter Support Fund."

CONSERVATION RESERVE ENHANCEMENT PROGRAM REPORT

SECTION 13.8.(a) The Department of Agriculture and Consumer Services shall study and report on the activities of the Conservation Reserve Enhancement Program. The report shall include, at a minimum, the following components:

- (1) A listing of contracts currently in effect and contracts entered into in each of the last five fiscal years, including the acreage and location of the land under contract and the distribution of contracts by duration.
- (2) A five-year projection of future funding requirements.
- (3) A detailed listing of the conservation practices used at project sites over the last five fiscal years and an assessment of the effectiveness of those practices for preventing or reducing nonpoint source pollution.
- (4) An assessment of the effectiveness and impact of the program in both protection of waterways from nonpoint source pollution and the leveraging of additional programs and efforts to reduce nonpoint source pollution.

SECTION 13.8.(b) The Department shall submit its findings and report to the chairs of the Senate Appropriations Committee on Natural and Economic Resources and the House Appropriations Committee on Agriculture and Natural and Economic Resources and to the Fiscal Research Division no later than April 1, 2016.

TOBACCO TRUST FUND ADMINISTRATION

SECTION 13.12. G.S. 143-717(i) reads as rewritten:

"(i) Limit on Operating and Administrative Expenses. – All administrative expenses of the Commission shall be paid from the Fund. No more than two and one-half percent (2 ½%) of the annual receipts of the Fund for the fiscal year beginning July 1 or a total sum of one million dollars (\$1,000,000), whichever is less, three hundred fifty thousand dollars (\$350,000) may be used each fiscal year for administrative and operating expenses of the Commission and its staff. All administrative expenses of the Commission shall be paid from the Fund staff, provided that the Commission may annually adjust the administrative expense cap imposed by this subsection, so long as that any cap increase does not exceed the amount necessary to provide for statewide salary and benefit adjustments enacted by the General Assembly."

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 and these funds are hereby appropriated for that purpose. 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 AND REVISE TRUST FUND ADMINISTRATIVE EXPENSE PROVISIONS

SECTION 14.4. Subdivisions (8e) and (9) of subsection (c) and subsection (d) of G.S. 113A-253 are repealed.

ENVIRONMENTAL MANAGEMENT OF IMPAIRED WATER BODIES

SECTION 14.5.(a) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2015-2017 biennium, the Department of Environment and Natural Resources shall use up to one million five hundred thousand dollars (\$1,500,000) to continue the demonstration project authorized by Section 14.3A of S.L. 2013-360. No later than December 1, 2015, the Department shall extend or modify existing contracts related to in situ water quality remediation strategies for a term ending on or after October 15, 2018, and also may enter into new purchase or lease agreements for equipment, goods, or contractor services needed to continue the demonstration project as set forth in this subsection.

SECTION 14.5.(b) The General Assembly finds that there is a need for timely initiation of projects authorized by this section during the biennium to expedite mitigation of impaired waters of the State. Therefore, any contract, contract extension, lease, purchase, or other agreement entered into under this section shall not be subject to the requirements of Article 3, 3D, or 8 of Chapter 143 of the General Statutes in order to expedite deployment.

SECTION 14.5.(c) The General Assembly further finds that existing rules or proposed rules intended to address water quality of impaired water bodies may need to be modified based on the completion and analysis of projects authorized or extended by this section and that there is a need to better understand the impact of in situ mitigation on overall water quality of impaired water bodies. Therefore, any rules issued by the Commission or directed by the General Assembly that pertain to basinwide nutrient management and mitigation of water quality for impaired water bodies, as defined by the federal government, and that have been temporarily delayed by a prior act of the General Assembly or Commission, shall have an effective date delay of three additional years or one year after the completion of the project described in this subsection, whichever is later.

SECTION 14.5.(d) The Department and Commission shall study in situ strategies beyond traditional watershed controls that have the potential to mitigate water quality impairments resulting from aquatic flora, sediment, nutrients, or other water quality variables

that impair or have the potential to impair water bodies of the State. In addition to a survey and evaluation of currently available in situ strategies, the Department and Commission shall assess the potential efficacy of in situ strategies in other water bodies of the State, and consider the utilization of in situ strategies in their development, review, and modifications of basinwide water quality management plans or related water quality mitigation modeling. The Department and Commission shall provide a report on their study to the Environmental Review Commission, the Fiscal Research Division, and the chairs of the Senate Appropriations Committee on Natural and Economic Resources and the House Appropriations Committee on Agriculture and Natural and Economic Resources no later than April 1, 2016.

INLET AND PORT ACCESS MANAGEMENT

SHALLOW DRAFT FUND REVISIONS

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, and 105-449.126.~~G.S. 75A-3 and G.S. 75A-38, taxes credited to it under G.S. 105-449.126, and funds contributed by non-State entities.

(b) Uses of Fund. – Revenue in the Fund may only be used ~~to~~for the following purposes:

- (1) 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, or for safe.~~
- (2) 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~~ as follows:

- (1) The cost-share for dredging projects located, in whole or part, in a development tier one area, as defined in G.S. 143B-437.08, shall be at least one non-State dollar for every three dollars from the Fund.
- (2) The cost-share for dredging projects not located, in whole or part, in a development tier one area shall be at least one non-State dollar for every two dollars from the Fund.
- (3) The cost-share for a lake maintenance project shall be at least one non-State dollar for every dollar from the Fund. 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) Return of Non-State Entity Funds. – Non-State entities that contribute to the Fund for a particular project or group of projects may make a written request to the Secretary that the contribution be returned if the contribution has not been spent or encumbered within two years of receipt of the contribution by the Fund. If the written request is made prior to the funds being spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the later of (i) receiving the request or (ii) the expiration of the two-year period described by this subsection.

(e) Definitions. – 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"~~ The term 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, Hatteras Inlet, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

SECTION 14.6.(b) Notwithstanding G.S. 143-215.73F, the funds available in the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund shall be reserved for all of the following purposes:

- (1) The sum of three million dollars (\$3,000,000) in each fiscal year of the 2015-2017 biennium shall be reserved for Oregon Inlet dredging needs.
- (2) The sum of one hundred fifty thousand dollars (\$150,000) shall be reserved to reimburse the Department of Administration for its costs associated with exploring options for acquiring Oregon Inlet and the adjacent real property, including, but not limited to, surveys and appraisals, legal research, and studies related to sand management, engineering proposals, and larval transport.
- (3) The sum of five hundred thousand dollars (\$500,000) shall be reserved to reimburse the Department of Administration for its costs associated with ongoing negotiations pertaining to the implementation of Section 14.7(g) of S.L. 2014-100. Upon completion of the actions defined in Sections 14.7(a) through (f) of S.L. 2014-100 by the Secretary of Administration and the federal government, Section 14.7(g) of S.L. 2014-100 is repealed. The Department of Administration shall use the report submitted by the Department of Transportation pursuant to Section 14.7(h) of S.L. 2014-100 and consult with the Department of Transportation when prioritizing condemnation of all existing and future transportation corridors on the Outer Banks, a right retained by the State and recorded in a deed executed on August 7, 1958, when these lands were conveyed to the federal government.
- (4) The sum of two hundred fifty thousand dollars (\$250,000) shall be reserved for use by the Department of Environment and Natural Resources to update the Beach and Inlet Management Plan (Plan). The Department may enter into a sole-source contract of up to two hundred fifty thousand dollars (\$250,000) with the firm that developed the initial Plan to have the firm update the Plan. The updated Plan shall include a recommended schedule for ongoing inlet maintenance. No later than December 1, 2016, the Department shall report to the Environmental Review Commission on the updated Plan, including a four-year cycle of regularly scheduled maintenance projects for beaches and inlets that currently undergo (or are expected to undergo) beach fill or dredging work.

If State funds reserved for the purposes listed above in a fiscal year are not spent or encumbered by June 30 of that fiscal year, the State funds shall be unreserved and made available for any of the uses set out in G.S. 143-215.73F.

DEEP DRAFT NAVIGATION CHANNEL DREDGING AND MAINTENANCE

SECTION 14.6.(c) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8C. Deep Draft Navigation Channel Dredging and Maintenance Fund.

"§ 143-215.73G. Deep Draft Navigation Channel Dredging and Maintenance Fund.

(a) Fund Established. – The Deep Draft Navigation Channel Dredging and Maintenance Fund is established as a special revenue fund. The Fund consists of General Fund appropriations, gifts, or grants, including monies contributed by a non-State entity for a particular dredging project or group of projects and any other revenues specifically allocated to the Fund by an act of the General Assembly.

(b) Uses of the Fund. – Revenue credited to the Fund may only be used for costs associated with projects providing safe and efficient navigational access to a State Port, including the design, construction, expansion, modification, or maintenance of deep draft navigation channels, turning basins, berths, and related structures, as well as surveys or studies related to any of the foregoing and the costs of disposal of dredged material.

(c) Conditions on Funding. – State funds credited to the Fund from the sources described in subsection (a) of this section must be cost-shared on a one-to-one basis with funds provided by the State Ports Authority, provided that:

- (1) Funds contributed to the Fund by a non-State entity are not considered State funds and may be used to provide the cost-share required by this subsection.
- (2) The Secretary may waive or modify the cost-share requirement for any project that supplements Corps funding for a study authorized by the Corps related to navigational access to a State Port, based on availability of alternate funding sources.

(d) Return of Non-State Entity Funds. – Non-State entities that contribute to the Fund for a particular project or group of projects may make a written request to the Secretary that the contribution be returned if the contribution has not been spent or encumbered within two years of receipt of the contribution by the Fund. If the written request is made prior to the funds being spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the later of (i) receiving the request or (ii) the expiration of the two-year period described by this subsection.

(e) Definitions. – The following definitions apply in this Part:

- (1) Corps. – The United States Army Corps of Engineers.
- (2) State Port. – Facilities at Wilmington or Morehead City managed or operated by the State Ports Authority."

SECTION 14.6.(d) SPA Memorandum of Agreement. – The State Ports Authority shall negotiate with the United States Army Corps of Engineers (hereafter, "Corps") a memorandum of agreement allowing for nonfederal funding of dredging and related studies or maintenance at the State Ports located at Wilmington and Morehead City. The memorandum required by this subsection shall be for as long a term as possible.

SECTION 14.6.(e) DENR Memorandum of Agreement. – The Division of Water Resources of the Department of Environment and Natural Resources shall negotiate with the Corps a memorandum of agreement allowing for nonfederal funding of dredging of Oregon Inlet. The memorandum required by this subsection shall be for as long a term as possible.

SECTION 14.6.(f) Port Access Lands Acquisition Agreement. – Notwithstanding Chapter 146 of the General Statutes or any other provision of law, the Department of Administration, on behalf of the State, shall seek to initiate negotiations with the appropriate agency of the federal government for an agreement to acquire the federally owned property necessary for management of deep draft navigation channels providing access to State Port facilities at Morehead City from the federal government in exchange for State-owned real property.

- (1) Interagency cooperation. – The North Carolina Ports Authority and the Department of Transportation shall be included in the planning and carrying out of these negotiations, but the ultimate approval authority remains solely with the Secretary of the Department of Administration.
- (2) Terms of agreement. – The Secretary of the Department of Administration shall have the authority to negotiate the terms of the acquisition agreement. The agreement (i) shall provide for the acquisition of interests in real property described in this subsection and no other; (ii) shall provide that the conveyances described in the agreement become effective as soon as practicable; and (iii) shall incorporate the relevant terms of this subsection.
- (3) Execution of deeds. – Within 30 days of the acquisition becoming effective, the Attorney General shall execute any documents or deeds necessary to effectuate the acquisition under the exact terms set forth in the acquisition agreement. All State agencies and officials shall cooperate to the fullest extent possible in effectuating the acquisition agreement.
- (4) Reporting. – Within 30 days after an agreement is entered into pursuant to this section, the Secretary of the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations on the terms of the agreement.

SECTION 14.6.(g) Contested Case Exemption. – G.S. 150B-1(e) is amended by adding a new subdivision to read:

"(e) Exemptions From Contested Case Provisions. – The contested case provisions of this Chapter apply to all agencies and all proceedings not expressly exempted from the Chapter. The contested case provisions of this Chapter do not apply to the following:

...

- (22) The Secretary of Environment and Natural Resources for the waiver or modification of non-State cost-share requirements under G.S. 143-215.73G."

CAPE FEAR ESTUARINE RESOURCE RESTORATION

SECTION 14.6.(h) The General Assembly finds that the New Inlet Dam or "The Rocks" was constructed by the United States Army Corps of Engineers in the late 19th century. The New Inlet Dam is composed of two components, a Northern Component that extends from Federal Point to Zeke's Island and a Southern Component that extends southwestward from Zeke's Island and separates the New Inlet from the main channel of the Cape Fear River. The General Assembly further finds that the Southern Component of the New Inlet Dam impedes the natural flow of water between the Cape Fear River and the Atlantic Ocean that occurred prior to emplacement of the dam. The General Assembly further finds that it is necessary to consider removal of the Southern Component of the New Inlet Dam in order to reestablish the natural hydrodynamic flow between the Cape Fear River and the Atlantic Ocean. To this end, the Department of Environment and Natural Resources shall do all of the following:

- (1) Notify the United States Army Corps of Engineers of the State's intent to study the removal of the Southern Component of the New Inlet Dam.
- (2) Issue a Request for Information for a firm capable of conducting an analysis of the costs and benefits of removal of the Southern Component of the New Inlet Dam, including an inventory of all necessary State and federal permits and approvals needed to develop and implement a removal plan. Identification of a capable firm pursuant to this section shall be done in accordance with Article 8 of Chapter 143 of the General Statutes.
- (3) Request approval from the National Oceanic and Atmospheric Administration to adjust the boundary established for Zeke's Island for both of the following changes:
 - a. Moving the current western boundary 200 feet seaward and removing the area that lies between the current boundary and the new boundary from the North Carolina National Estuarine Research Reserve.
 - b. Compensating for any loss of acreage pursuant to sub-subdivision a. of this subdivision by adding a corresponding amount of acreage to the northern boundary of Zeke's Island from adjacent acreage at Fort Fisher State Recreation Area.
- (4) If the Department obtains approval from the National Oceanic and Atmospheric Administration to adjust the boundary established for Zeke's Island as described in subdivision (3) of this subsection, the Coastal Resources Commission shall amend 15A NCAC 070 .0105 (North Carolina Coastal Reserve: Reserve Components) as follows:
 - a. Definitions. – "Reserve Components Rule" means 15A NCAC 070 .0105 (North Carolina Coastal Reserve: Reserve Components) for purposes of this section and its implementation.
 - b. Reserve Components Rule. – Until the effective date of the revised permanent rule that the Coastal Resources Commission is required to adopt pursuant to sub-subdivision d. of this subdivision, the Commission and the Department of Environment and Natural Resources shall implement the Reserve Components Rule, as provided in sub-subdivision c. of this subdivision.
 - c. Implementation. – Notwithstanding the Reserve Components Rule, the Commission shall adjust the boundary established for Zeke's Island in conformance with any boundary change that is approved by the National Oceanic and Atmospheric Administration pursuant to subdivision (3) of this subsection.
 - d. Additional rule-making authority. – The Commission shall adopt a rule to replace the Reserve Components Rule. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this subdivision shall be substantively identical to the provisions of sub-subdivision c. of this subdivision. Rules adopted pursuant to this subdivision are not subject to Part 3 of Article 2A of Chapter 150B

of the General Statutes. Rules adopted pursuant to this subdivision shall become effective as provided in G.S. 150B-21.3(b1) as though 10 or more written objections had been received as provided by G.S. 150B-21.3(b2).

- e. Effective date. – Sub-subdivision c. of this subdivision expires when permanent rules to replace sub-subdivision c. of this subdivision have become effective, as provided by sub-subdivision d. of this subdivision.

Notwithstanding any other provision of law, the Department of Environment and Natural Resources may use funds from the Deep Draft Navigation Channel Dredging and Maintenance Fund, established pursuant to G.S. 143-215.73G, as enacted by subsection (c) of this section, to implement this subsection. No later than April 1, 2016, the Department shall report to the Environmental Review Commission, the chairs of the Senate Appropriations Committee on Natural and Economic Resources and the House Appropriations Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division regarding its implementation of this subsection, including a copy of the Request for Information required by subdivision (2) of this subsection and any responses received to the Request. Neither the Department nor any State agency may proceed with the removal of the New Inlet Dam until (i) the Environmental Review Commission has reviewed the report required by this section and (ii) a bill expressly providing authorization for the removal becomes law.

CLARIFY COASTAL COUNTY AUTHORITY OVER ABANDONED VESSELS

SECTION 14.6.(n) Section 1 of S.L. 2013-182 is repealed.

SECTION 14.6.(o) G.S. 153A-132(i), as rewritten by S.L. 2013-182, reads as rewritten:

"(i) A county may by ordinance prohibit the abandonment of vessels in navigable waters within the county's ordinance-making jurisdiction, subject to the provisions of this subsection. The provisions of this section shall apply to abandoned vessels in the same manner that they apply to abandoned or junked motor vehicles to the extent that the provisions may apply to abandoned vessels. For purposes of this subsection, an "abandoned vessel" is one that meets any of the following:

- (1) A vessel that is moored, anchored, or otherwise located for more than 30 consecutive days in any 180 consecutive-day period without permission of the dock owner.
- (2) A vessel that is in danger of sinking, has sunk, is resting on the bottom, or is located such that it is a hazard to navigation or is an immediate danger to other vessels.

Shipwrecks, vessels, cargoes, tackle, and other underwater archeological remains that have been in place for more than 10 years shall not be considered abandoned vessels and shall not be removed under the provisions of this section without the approval of the Department of Cultural Resources, which is the legal custodian of these properties pursuant to G.S. 121-22 and G.S. 121-23. This subsection applies only to the counties set out in G.S. 113A-103(2)."

EROSION CONTROL STRUCTURES

SECTION 14.6.(p) The Coastal Resources Commission shall amend its rules for the use of temporary erosion control structures to provide for all of the following:

- (1) Allow the placement of temporary erosion control structures on a property that is experiencing coastal erosion even if there are no imminently threatened structures on the property if the property is adjacent to a property where temporary erosion control structures have been placed.
- (2) Allow the placement of contiguous temporary erosion control structures from one shoreline boundary of a property to the other shoreline boundary, regardless of proximity to an imminently threatened structure.
- (3) The termination date of all permits for contiguous temporary erosion control structures on the same property shall be the same and shall be the latest termination date for any of the permits.
- (4) The replacement, repair, or modification of damaged temporary erosion control structures that are either legally placed with a current permit or

legally placed with an expired permit, but the status of the permit is being litigated by the property owner.

SECTION 14.6.(q) The Coastal Resources Commission shall adopt temporary rules to implement subsection (p) of this section no later than December 31, 2015. The Commission shall also adopt permanent rules to implement this section.

SECTION 14.6.(r) G.S. 113A-115.1(g) reads as rewritten:

"(g) The Commission may issue no more than ~~four~~six permits for the construction of a terminal groin pursuant to this ~~section~~section, provided that two of the six permits may be issued only for the construction of terminal groins on the sides of New River Inlet in Onslow County and Bogue Inlet between Carteret and Onslow Counties."

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 shall 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 shall 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, shall be included in the Senator Jean Preston Oyster Sanctuary Network. The plan shall 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 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,~~ leases and from the beginning for renewals of leases entered into after that date, the rental is ten dollars (\$10.00) per acre per year. Rental must be paid annually in advance prior to the first day of April 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.

SIMPLIFY OYSTER RESTORATION PROJECT PERMITTING

SECTION 14.10A.(a) The Division of Marine Fisheries and Division of Coastal Management of the Department of Environment and Natural Resources shall, in consultation with representatives of nongovernmental conservation organizations working on oyster restoration, create a new permitting process specifically designed for oyster restoration projects that apply to oyster restoration projects instead of a major development permit under G.S. 113A-118. The Department shall submit its report, including recommended legislation, to the Environmental Review Commission no later than May 1, 2016.

SECTION 14.10A.(b) Until the effective date of the revised permanent rule that the Coastal Resources Commission is required to adopt pursuant to subsection (d) of this section, the Commission and the Department of Environment and Natural Resources shall implement 15A NCAC 03O .0503(g) (Scientific or Educational Activity Permit) as provided in subsection (c) of this section.

SECTION 14.10A.(c) Notwithstanding 15A NCAC 03O .0503(g) (Scientific or Educational Activity Permit), the Division of Marine Fisheries may issue a scientific or educational activity permit for approved activities conducted by or under the direction of a nongovernmental conservation organization in addition to a scientific or educational institution. For purposes of this section, a nongovernmental conservation organization is defined as an organization whose primary mission is the conservation of natural resources.

SECTION 14.10A.(d) The Environmental Management Commission shall adopt rules to amend 15A NCAC 03O .0503(g) and any other cross-referenced rules consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this subsection shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1) as though 10 or more written objections had been received as provided by G.S. 150B-21.3(b2).

SECTION 14.10A.(e) This section is effective when this act becomes law. Subsection (c) of this section expires on the date that rules adopted pursuant to subsection (d) of this section become effective.

SCFL EXEMPTION FOR EMPLOYEES OF LEASEHOLDER

SECTION 14.10B. G.S. 113-169.2 reads as rewritten:

"§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.

(a) License or Endorsement Necessary to Take or Sell Shellfish Taken by Hand Methods. – It is unlawful for an individual to take shellfish from the public or private grounds of the State as part of a commercial fishing operation by hand methods without holding either a shellfish license or a shellfish endorsement of a SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The shellfish license authorizes the licensee to sell shellfish.

(a1) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – ~~Subject to~~ ~~Except as provided in~~ subsection (i) of this section, an individual who takes shellfish from the public or private grounds of the State by mechanical means must obtain an SCFL under the provisions of G.S. 113-168.2.

...
(i) Taking Shellfish Without a License for Personal Use. ~~Use or as Employee of Certain License Holders.~~ – Shellfish may be taken without a license ~~for~~ under the following circumstances:

- (1) For personal use in quantities established by rules of the Marine Fisheries Commission.
- (2) When the taking is from an area leased for the cultivation of shellfish under Article 16 of this Chapter by a person who is an employee of a leaseholder holding a valid SCFL issued under the provisions of G.S. 113-168.2, and the person provides an authorization letter with the leaseholder's SCFL number and signature."

WATER COLUMN LEASING CLARIFICATION

SECTION 14.10C.(a) G.S. 113-201.1(5) reads as rewritten:

"(5) "Water column" means the vertical extent of water, including the ~~surface thereof, surface,~~ above a designated area of submerged bottom land."

SECTION 14.10C.(b) G.S. 113-202 is amended by adding a new subsection to

read:

"(r) A lease under this section shall include the right to place devices or equipment related to the cultivation or harvesting of marine resources on or within 18 inches of the leased bottom. Devices or equipment not resting on the bottom or extending more than 18 inches above the bottom will require a water column lease under G.S. 113-202.1."

SECTION 14.10C.(c) G.S. 113-202.1 reads as rewritten:

"§ 113-202.1. Water column leases for aquaculture.

...
(c) The Secretary shall not amend shellfish cultivation leases to authorize ~~use~~-uses of the water column involving devices or equipment not resting on the bottom or that extend more than 18 inches above the bottom unless:

- (1) The leaseholder submits an application, accompanied by a nonrefundable application fee of one hundred dollars (\$100.00), which conforms to the standards for lease applications in G.S. 113-202(d) and the duly adopted rules of the Commission;
- (2) The proposed amendment has been noticed consistent with G.S. 113-202(f);
- (3) Public hearings have been conducted consistent with G.S. 113-202(g);
- (4) The aspects of the proposals which require use and dedication of the water column have been documented and are recognized by the Secretary as commercially feasible forms of aquaculture which will enhance shellfish production on the leased area;
- (5) It is not feasible to undertake the aquaculture activity outside of coastal fishing waters; and
- (6) The authorized water column use has the least disruptive effect on other public trust uses of the waters of any available technology to produce the shellfish identified in the proposal.

...."

DIVISION OF MARINE FISHERIES RECOMMENDATIONS FOR SHELLFISH AQUACULTURE

SECTION 14.10D. No later than March 1, 2016, the Division of Marine Fisheries shall report to the Environmental Review Commission, the chairs of the House and Senate appropriations committees with responsibility for natural and economic resources, and the Fiscal Research Division regarding the Division's recommendations for policy and statutory changes needed to support and encourage the ecological restoration and economic stability of the shellfish aquaculture industry. The Division's recommendations shall include (i) how best to spend financial resources to counter declining oyster populations and habitats; (ii) the most ecologically sound and cost-effective use of nonnative oyster species to accomplish oyster restoration; (iii) further measures to combat oyster disease and manage harvesting practices to balance the needs of the industry and promote long-term viability and health of oyster habitat and substrate; (iv) how the State can promote and encourage economic aquaculture methods to improve oyster stock and populations; (v) long-term, dedicated options for funding sources and water quality improvements; (vi) measures the State can undertake to increase oyster production for both population growth and harvest; (vii) options that expand the use of private hatchery capacity in the State; (viii) options for promoting the use of cultch planting to enhance and increase oyster habitat and population; and (ix) other resources that might be leveraged to enhance reform efforts. Prior to making its report, the Division shall provide an opportunity for review and comment from environmental conservation entities, commercial and recreational oyster harvesting industries, and experts in the fields of marine biology and marine ecology.

BEACH EROSION STUDY

SECTION 14.10L.(a) The Division of Coastal Management shall study and develop a proposed strategy for preventing, mitigating, and remediating the effects of beach erosion. The study shall consider efforts by other states and countries to prevent beach erosion

and ocean overwash and to renourish and sustain beaches and coastlines and incorporate best practices into the strategy.

SECTION 14.10L.(b) By February 15, 2016, the Division of Coastal Management shall report to the Environmental Review Commission, the chairs of the Senate Appropriations Committee on Natural and Economic Resources and the House Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division on the results of the study and its proposed strategy as required by subsection (a) of this section, including any legislative recommendations.

DYNAMIC PRICING FOR STATE PARKS AND ATTRACTIONS

SECTION 14.11.(a) G.S. 150B-1(d) reads as rewritten:

"§ 150B-1. Policy and scope.

...
(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...
(26) The Board of Agriculture in the Department of Agriculture and Consumer Services with respect to ~~annual~~ the following:

a. Annual admission fees for the State Fair.

b. Operating hours, admission fees, or related activity fees at State forests.

The Board shall annually post the admission fee and operating hours schedule on its Web site and provide notice of the ~~fee~~-schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d).

(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.

d. The North Carolina Museum of Natural Sciences.

The exclusion from rule making for the setting of operating hours set forth in this subdivision (i) shall not apply to a decision to eliminate all public operating hours for the sites and facilities listed and (ii) does not authorize any of the sites and facilities listed in this subdivision that do not currently charge an admission fee to charge an admission fee until authorized by an act of the General Assembly."

SECTION 14.11.(b) The Department of Environment and Natural Resources, or any other department given responsibilities for the North Carolina Zoological Park, State parks, and the North Carolina Aquariums, may establish admission fees and related activity fees for those sites and facilities. In setting these fees, the Department of Environment and Natural Resources shall use a dynamic pricing strategy as defined in subsection (e) of this section. Any rule currently in the Administrative Code related to fees covered by subsection (a) of this section is 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 that subsection. 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. Nothing in this subsection is intended to authorize the Department or any other department to charge new parking fees at the North Carolina Zoological Park, State parks, or the North Carolina Aquariums or to charge an admission fee at any other site or facility that does not currently charge an admission fee.

SECTION 14.11.(c) The Department of Cultural Resources may establish admission fees and related activity fees authorized by G.S. 121-7.3 for historic sites and museums. In setting these fees, the Department shall use a dynamic pricing strategy as defined in subsection (e) of this section.

SECTION 14.11.(d) The Department of Agriculture and Consumer Services may establish admission fees and related activity fees authorized by G.S. 106-877 for State forests. In setting these fees, the Department shall use a dynamic pricing strategy as defined in

subsection (e) of this section. Nothing in this subsection is intended to authorize the Department to charge new parking fees at State forests.

SECTION 14.11.(e) For purposes of this section, "dynamic pricing" is the adjustment of fees for admission and related activities from time to time to reflect market 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.(f) No later than March 1, 2016, the Department of Environment and Natural Resources, the Department of Cultural Resources, and the Department of Agriculture and Consumer Services shall submit a report on implementation of the new pricing strategy to the Environmental Review Commission, including an evaluation of the feasibility and obstacles to charging new entrance or admission fees at other attractions not subject to this section.

SECTION 14.11.(g) The Department of Environment and Natural Resources, or any other department given responsibilities for the North Carolina Zoological Park, State parks, and the North Carolina Aquariums may not impose fees on school groups visiting those attractions. For purposes of this section, "fees" refers to the regular admission charge, and does not include a separate admission charge for a special temporary exhibition.

SECTION 14.11.(h) The Department of Cultural Resources, as reorganized and renamed by Section 14.30 of this act, shall study issues related to charging admission fees at the North Carolina Museum of History and the North Carolina Museum of Natural Sciences (collectively, the Museums). The study shall address the following issues:

- (1) The impact on receipts and attendance if the Museums charged an admission fee.
- (2) Admission fee policies for state-supported museums in other states and the impacts and receipts from those fees.
- (3) The costs of new or modified infrastructure and other implementation costs necessary for the Museums to charge fees.
- (4) Any synergies or cost savings in the charging and collection of fees due to the geographic proximity of the primary facilities for each of the Museums.

The Department shall report no later than April 1, 2016, to the chairs of the Senate and the House of Representatives appropriations committees with jurisdiction over the Museums and the Fiscal Research Division.

SECTION 14.11.(i) This section applies to admission fees or related activity fees charged on or after the effective date of this act.

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 shall include, at a minimum, water and sewer service rates, median household income, poverty rates, employment rates, the population of the served community, and past expenditures by the community on water infrastructure compared to that community's capacity for financing of water infrastructure improvements.
- (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.
- ...
- (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 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.
- (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.~~
- (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 manager, so long as the capital improvement plan must 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-30 reads as rewritten:

"§ 159G-30. Department's responsibility.

The Department, through the Division of Water Infrastructure, administers loans and grants made from the CWSRF, the DWSRF, the Wastewater Reserve, and the Drinking Water Reserve. Reserve and shall administer the award of funds by the State Water Infrastructure Authority from the Community Development Block Grant program to local government units for infrastructure projects."

SECTION 14.13.(c2) 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.~~ Loan. – A loan ~~or grant~~ is available for a project authorized in G.S. 159G-32(b).

(2) ~~High unit costProject~~ Project grant. – A ~~high unit costproject~~ 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.~~ Loan. – A loan ~~or grant~~ is available for a project for a public water system.

(2) ~~High unit costProject~~ 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.

ENCOURAGE INTERCONNECTION OF PUBLIC WATER SYSTEMS

SECTION 14.14A.(a) G.S. 130A-317 is amended by adding a new subsection to read:

- "(g) The Department shall identify systems meeting all of the following criteria:
- (1) As constructed or altered, the system appears capable of interconnectivity with another system or systems located within the same river basin, as set out in G.S. 143-215.22.
 - (2) The system appears to have adequate unallocated capacity to expand.
 - (3) Interconnectivity would promote public health, protect the environment, or ensure compliance with established drinking water rules.

The Department shall notify the identified systems of the potential for interconnectivity in the future. The systems so notified may discuss options for potential interconnectivity, including joint operations, regionalization, or merger. The Local Government Commission shall be copied on the notice from the Department and shall assist the systems with any questions regarding liabilities of the systems and alterations to the operational structure of the systems."

SECTION 14.14A.(b) The Commission for Public Health may adopt rules to implement G.S. 130A-317, as amended by this section.

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 the effective date of this act to the Department's General Fund budget 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) of this section shall be budgeted to support the programs and functions previously supported by those funds.

PHASEOUT OF NONCOMMERCIAL LEAKING UST FUND

SECTION 14.16A.(a) G.S. 143-215.94B(b) reads as rewritten:

"(b) The Commercial Fund shall be used for the payment of the following costs up to an aggregate maximum of one million dollars (\$1,000,000) per occurrence resulting from a discharge or release of a petroleum product from a commercial underground storage tank:

- ...
- (9) If the owner or operator cannot be identified or fails to proceed with the cleanup.
 - (10) That was taken out of operation prior to 1 January 1974 if, at the time the discharge or release is discovered, neither the owner nor operator owns or leases the lands on which the tank is located.
 - (11) Where the owner of the commercial underground storage tank is the owner only as a result of owning the land on which the commercial underground storage tank is located, the owner did not know or have reason to know that the underground storage tank was located on the property, and the land was not transferred to the owner to avoid liability for the commercial underground storage tank.
 - (12) Compensation to third parties for bodily injury and property damage in excess of one hundred thousand dollars (\$100,000) per occurrence caused by releases from noncommercial underground storage tanks reported to the Department prior to October 1, 2015, if the claim for compensation is made prior to July 1, 2016."

SECTION 14.16A.(b) G.S. 143-215.94D reads as rewritten:

"§ 143-215.94D. Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund.

(a) There is established under the control and direction of the Department the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund. This Noncommercial Fund shall be a nonreverting revolving fund consisting of any monies appropriated for such purpose by the General Assembly or available to it from grants, or other monies paid to it or recovered on behalf of the Noncommercial Fund.

(b) The Noncommercial Fund shall be used for the payment of the costs set out in subsection (b1) of this section, up to an aggregate maximum of one million dollars (\$1,000,000) per occurrence resulting from a discharge or release of a petroleum product reported to the Department prior to October 1, 2015, from:

- (1) Noncommercial underground storage tanks if the discharge or release meets the minimum priority criteria for corrective action established by the Department.
- (2) ~~Commercial underground storage tanks if the owner or operator cannot be identified or fails to proceed with the cleanup.~~
- (3) ~~Commercial underground storage tanks that were taken out of operation prior to 1 January 1974 if, at the time the discharge or release is discovered, neither the owner or operator owns or leases the lands on which the tank is located.~~
- (4) ~~Commercial underground storage tanks if the owner of the commercial underground storage tank is the owner only as a result of owning the land on which the commercial underground storage tank is located, the owner did not know or have reason to know that the underground storage tank was located on the property, and the land was not transferred to the owner to avoid liability for the commercial underground storage tank.~~

(b1) The Noncommercial Fund shall be used for the payment of the costs of following costs, provided a claim for compensation is made prior to July 1, 2016:

- (1) For releases discovered or reported to the Department prior to August 1, 2013, the cleanup of environmental damage as required by G.S. 143-215.94E(a).
- (1a) For releases ~~discovered or reported~~ to the Department on or after ~~August 1, 2013, August 1, 2013, and prior to October 1, 2015,~~ the cleanup of environmental damage as required by G.S.143-215.94E(a) in excess of two thousand dollars (\$2,000) or the sum of the following amounts, whichever is less:
 - a. A deductible of one thousand dollars (\$1,000) per occurrence.
 - b. A co-payment equal to ten percent (10%) of the costs of the cleanup of environmental damage, per occurrence.
- (2) ~~Compensation to third parties for bodily injury and property damage in excess of one hundred thousand dollars (\$100,000) per occurrence.~~
- (3) Reimbursing the State for damages or other costs incurred as a result of a loan from the Loan Fund. The per occurrence limit does not apply to reimbursements to the State under this subdivision.
- (4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the Noncommercial Fund is responsible for the payment of costs under subdivisions (1) through (3) of this subsection and subsection (b) of this section.

...."

SECTION 14.16A.(c) G.S. 143-215.94N(b) reads as rewritten:

"(b) ~~The Except as otherwise specified in this Part, the provisions of this Part as they~~ relate to costs paid from the Noncommercial Fund apply to discharges or releases without regard to the date discovered or reported; however, reimbursement of costs under G.S. 143-215.94G(d)(1), (2), (3), (3a), and (4) shall be for the full amount of the costs paid for from the Noncommercial Fund and shall not be limited pursuant to G.S. 143-215.94E(b) for discharges or releases from commercial underground storage tanks discovered or reported on or before 30 June 1988."

SECTION 14.16A.(d) G.S. 143-215.94A(6), 143-215.94B(d)(4), 143-215.94D, and 143-215.94N(b) are repealed.

SECTION 14.16A.(e) G.S. 143-215.94E reads as rewritten:

"§ 143-215.94E. **Rights and obligations of the owner or operator.**

...
 (b1) In the case of a discharge or release from a commercial underground storage tank where the owner and operator cannot be identified or located, or where the owner and operator fail to proceed as required by subsection (a) of this section, the following requirements apply:

- (1) ~~if~~ If the current landowner of the land in which the commercial underground storage tank is located notifies the Department in accordance with G.S. 143-215.85 and undertakes to collect and remove the discharge or release and to restore the area affected in accordance with the requirements of this Article and applicable federal and State laws, regulations, and rules, the current landowner may elect to have the Commercial Fund pay or reimburse the current landowner for any costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) that exceed the amounts for which the owner or operator is responsible under that subsection.

a. The current landowner is not eligible for payment or reimbursement until the current landowner has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) for which the owner or operator is responsible.

b. Eligibility for reimbursement under this subsection may be transferred from a current landowner who has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) to a subsequent landowner.

The current landowner shall submit documentation of all expenditures as required by G.S. 143-215.94G(b).

- (2) The sum of payments from the Commercial Fund and from all other sources shall not exceed one million dollars (\$1,000,000) per discharge or release except as provided in G.S. 143-215.94B(b2).
- (3) This subsection shall not be construed to require a current landowner to cleanup a discharge or release of petroleum from an underground storage tank for which the current landowner is not otherwise responsible. This subsection does not alter any right, duty, obligation, or liability of a current landowner, former landowner, subsequent landowner, owner, or operator under other provisions of law.
- (4) This subsection shall not be construed to limit the authority of the Department to engage in a cleanup under this Article or any other provision of law. In the event that an owner or operator is subsequently identified or located, the Secretary shall seek reimbursement as provided in G.S. 143-215.94G(d). ~~The current landowner shall submit documentation of all expenditures as required by G.S. 143-215.94G(b).~~

~~(e) In the case of a discharge or release from a noncommercial underground storage tank or a commercial underground storage tank eligible for the Noncommercial Fund in accordance with G.S. 143-215.94D(b), where the owner or operator has been identified and has proceeded with the cleanup, the owner or operator may elect to have the Noncommercial Fund pay or reimburse the owner or operator for any costs described in G.S. 143-215.94D(b1) up to a maximum of one million dollars (\$1,000,000) per discharge or release.~~

~~(e1) In the case of a discharge or release from a noncommercial underground storage tank where the owner and operator cannot be identified or located, or where the owner and operator fail to proceed as required by subsection (a) of this section, if the current landowner of the land in which the noncommercial underground storage tank is located notifies the Department in accordance with G.S. 143-215.85 and undertakes to collect and remove the discharge or release and to restore the area affected in accordance with the requirements of this Article and applicable federal and State laws, regulations, and rules, the current landowner may elect to have the Noncommercial Fund pay or reimburse the current landowner for any costs described in G.S. 143-215.94D(b1). Eligibility for reimbursement under this subsection may be transferred to a subsequent landowner from a current landowner. The sum of payments from the Noncommercial Fund and from all other sources shall not exceed one million dollars (\$1,000,000) per discharge or release. This subsection shall not be construed to require a current landowner to clean up a discharge or release of petroleum from an underground storage tank for which the current landowner is not otherwise responsible. This subsection does not alter any right, duty, obligation, or liability of a current landowner, former landowner, subsequent landowner, owner, or operator under other provisions of law. This subsection shall not be construed to limit the authority of the Department to engage in a cleanup under this Article or any other provision of law. The current landowner shall submit documentation of all expenditures as required by G.S. 143-215.94G(b).~~

...
 (e1) The Department may contract for any services necessary to evaluate any claim for reimbursement or compensation from ~~either the Commercial Fund or the Noncommercial Fund~~, may contract for any expert witness or consultant services necessary to defend any decision to pay or deny any claim for reimbursement, and may pay the cost of these services from the fund against which the claim is made; provided that in any fiscal year the Department shall not expend from either fund more than one percent (1%) of the unobligated balance of the fund on 30 June of the previous fiscal year. The cost of contractual services to evaluate a claim or for expert witness or consultant services to defend a decision with respect to a claim shall be included as costs under ~~G.S. 143-215.94B(b), 143-215.94B(b1), and 143-215.94D(b1).~~ G.S. 143-215.94B(b) and G.S. 143-215.94B(b1).

...
 (e4) (1) If the owner or operator takes initial steps to collect and remove the discharge or release as required by the Department and completes the initial assessment required to determine degree of risk, the owner or operator shall not be subject to any violation or penalty for any failure to proceed with further assessment or cleanup under G.S. 143-215.84 or this section before the owner or operator is authorized to proceed with further assessment or cleanup as provided in subsection (e5) of this section. The lack of

availability of funds in the Commercial Fund ~~or the Noncommercial Fund~~ shall not relieve an owner or operator of responsibility to immediately undertake to collect and remove the discharge or release or to conduct any assessment or cleanup ordered by the Department or be a defense against any violations and penalties issued to the owner or operator for failure to conduct required assessment or cleanup.

- (2) The Department shall establish the degree of risk to human health and the environment posed by a discharge or release of petroleum from a commercial underground storage tank and shall determine a schedule for further assessment and cleanup that is based on the degree of risk to human health and the environment posed by the discharge or release and that gives priority to the assessment and cleanup of discharges and releases that pose the greatest risk. If any of the costs of assessment and cleanup of the discharge or release from a commercial underground storage tank are eligible to be paid or reimbursed from the Commercial Fund, the Department shall also consider the availability of funds in the Commercial Fund and the order in which the discharge or release was reported in determining the schedule.
- ~~(3) The Department shall establish the degree of risk to human health and the environment posed by a discharge or release of petroleum from a noncommercial underground storage tank and shall determine a schedule for further assessment and cleanup that is based on the degree of risk to human health and the environment posed by the discharge or release and that gives priority to the assessment and cleanup of discharges and releases that pose the greatest risk. If any of the costs of assessment or cleanup of the discharge or release from a noncommercial underground storage tank are eligible to be paid or reimbursed from the Noncommercial Fund, the Department shall also consider the availability of funds in the Noncommercial Fund and the order in which the discharge or release was reported in determining the schedule.~~
- (4) The Department may revise the schedules that apply to the assessment and cleanup of any discharge or release at any time based on its reassessment of any of the foregoing factors.

...

(f1) Any person seeking payment or reimbursement from ~~either the Commercial Fund or the Noncommercial Fund~~ shall certify to the Department that the costs to be paid or reimbursed by the Commercial Fund ~~or the Noncommercial Fund~~ are not eligible to be paid or reimbursed by or from any other source, including any contract of insurance. If any cost paid or reimbursed by the Commercial Fund ~~or the Noncommercial Fund~~ is eligible to be paid or reimbursed by or from another source, that cost shall not be paid from, or if paid shall be repaid to, the Commercial Fund ~~or the Noncommercial Fund~~. As used in this Part, the phrase "any other source including any contract of insurance" does not include self-insurance.

...

(j) An owner, operator, or landowner shall request that the Department determine whether any of the costs of assessment and cleanup of a discharge or release from a petroleum underground storage tank are eligible to be paid or reimbursed from either the Commercial Fund ~~or the Noncommercial Fund~~ within one year after completion of any task that is eligible to be paid or reimbursed under G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1).

(k) An owner, operator, or landowner shall request payment or reimbursement from the Commercial Fund ~~or the Noncommercial Fund~~ for the cost of a task within one year after the completion of the task. The Department shall deny any request for payment or reimbursement of the cost of any task that would otherwise be eligible to be paid or reimbursed if the request is not received within 12 months after the later of the date on which the:

- (1) Department determines that the cost is eligible to be paid or reimbursed.
- (2) Task is completed."

SECTION 14.16A.(f) G.S. 143-215.94G reads as rewritten:

"§ 143-215.94G. Authority of the Department to engage in cleanups; actions for fund reimbursement.

(a) The Department may use staff, equipment, or materials under its control or provided by other cooperating federal, State, or local agencies and may contract with any agent or contractor it deems appropriate to investigate a release, to develop and implement a cleanup plan, to provide interim alternative sources of drinking water to third parties, and to pay the initial costs for providing permanent alternative sources of drinking water to third parties, and shall pay the costs resulting from commercial underground storage tanks from the Commercial Fund and shall pay the costs resulting from noncommercial underground storage tanks from the Noncommercial Fund, Fund whenever there is a discharge or release of petroleum from any of the following:

- (1) A noncommercial underground storage tank.
- (2) An underground storage tank whose owner or operator cannot be identified or located.
- (3) An underground storage tank whose owner or operator fails to proceed as required by G.S. 143-215.94E(a).
- (4) A commercial underground storage tank taken out of operation prior to 1 January 1974 if, when the discharge or release is discovered, neither the owner nor operator owns or leases the land on which the underground storage tank is located.

(a1) Every State agency shall provide to the Department to the maximum extent feasible such staff, equipment, and materials as may be available and useful to the development and implementation of a cleanup program.

(a2) The cost of any action authorized under subsection (a) of this section shall be paid, to the extent funds are available, from the following sources in the order listed:

- (1) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage tanks, including, but not limited to, the Leaking Underground Storage Tank Trust Fund established pursuant to 26 U.S.C. § 4081 and 42 U.S.C. § 6991b(h).
- (2) The Commercial Fund or the Noncommercial Fund.

(a3) Expired October 1, 2011, pursuant to Session Laws 2001-442, s. 8, as amended by Session Laws 2008-195, s. 11.

(b) Whenever the discharge or release of a petroleum product is from a commercial underground storage tank, the Department may supervise the cleanup of environmental damage required by G.S. 143-215.94E(a). If the owner or operator elects to have the Commercial Fund reimburse or pay for any costs allowed under subsection (b) or (b1) of G.S. 143-215.94B, the Department shall require the owner or operator to submit documentation of all expenditures claimed for the purposes of establishing that the owner or operator has spent the amounts required to be paid by the owner or operator pursuant to and in accordance with G.S. 143-215.94E(b). The Department shall allow credit for all expenditures that the Department determines to be reasonable and necessary. The Department may not pay for any costs for which the Commercial Fund was established until the owner or operator has paid the amounts specified in G.S. 143-215.94E(b).

(c) The Secretary shall keep a record of all expenses incurred for the services of State personnel and for the use of the State's equipment and material.

(d) The Secretary shall seek reimbursement through any legal means available, for:

- (1) Any costs not authorized to be paid from either the Commercial or the Noncommercial Fund;
- (2) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) where the owner or operator of a commercial underground storage tank is later identified or located;
- (3) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) where the owner or operator of a commercial underground storage tank failed to proceed as required by G.S. 143-215.94E(a);
- (3a) The amounts provided for by G.S. 143-215.94B(b)(5) required to be paid by the owner or operator to third parties for the cost of providing interim

alternative sources of drinking water to third parties and the initial cost of providing permanent alternative sources of drinking water to third parties;

- (4) Any funds due under G.S. 143-215.94E(g); and
- (5) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage tanks; [and]
- (6) The amounts provided for in G.S. 143-215.94B(b5) and G.S. 143-215.94D(b2).

(e) In the event that a civil action is commenced to secure reimbursement pursuant to subdivisions (1) through (4) of subsection (d) of this section, the Secretary may recover, in addition to any amount due, the costs of the action, including but not limited to reasonable attorney's fees and investigation expenses. Any monies received or recovered as reimbursement shall be paid into the appropriate fund or other source from which the expenditures were made.

~~(f) In the event that a recovery equal to or in excess of the amounts required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) is recovered pursuant to subdivisions (2) and (3) of subsection (d) of this section for the costs described in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1), the Department shall transfer funds from the Commercial Fund that would have been paid from the Commercial Fund pursuant to subsection (b) or (b2) of G.S. 143-215.94B if the owner or operator had proceeded with the cleanup, but which were paid from the Noncommercial Fund, into the Noncommercial Fund.~~

(g) If the Department paid or reimbursed costs that are not authorized to be paid or reimbursed under G.S. 143-215.94B or G.S. 143-215.94D as a result of a misrepresentation by an agent who acted on behalf of an owner, operator, or landowner, the Department shall first seek reimbursement, pursuant to subdivision (1) of subsection (d) of this section, from the agent of monies paid to or retained by the agent.

(h) The Department shall take administrative action to recover costs or bring a civil action pursuant to subdivision (1) of subsection (d) of this section to seek reimbursement of costs in accordance with the time limits set out in this subsection.

- (1) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs that are not authorized to be paid from the Commercial Fund under subdivision (1), (2), or (3) of G.S. 143-215.94B(d) ~~or from the Noncommercial Fund under subdivision (1), (2), or (3) of G.S. 143-215.94D(d)~~ within five years after payment.
- (2) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs other than those described in subdivision (1) of this subsection within three years after payment.
- (3) Notwithstanding the time limits set out in subdivisions (1) and (2) of this subsection, the Department may take administrative action to recover costs or bring a civil action to seek reimbursement of costs paid as a result of fraud or misrepresentation at any time.

(i) An administrative action or civil action that is not commenced within the time allowed by subsection (h) of this section is barred.

(j) Except with the consent of the claimant, the Department may not withhold payment or reimbursement of costs that are authorized to be paid from the Commercial Fund ~~or the Noncommercial Fund~~ in order to recover any other costs that are in dispute unless the Department is authorized to withhold payment by a final decision of the Commission pursuant to G.S. 150B-36 or an order or final decision of a court."

SECTION 14.16A.(g) G.S. 143-215.94J reads as rewritten:

"§ 143-215.94J. Limitation of liability of the State of North Carolina.

(a) No claim filed against ~~either the Commercial Fund or the Noncommercial Fund~~ shall be paid except from assets of the respective fund as provided for in this Part or as may otherwise be authorized by law.

(b) This Part shall not be construed to obligate the General Assembly to make any appropriation to implement the provisions of this Part; nor shall it be construed to obligate the Secretary to take any action pursuant to this Part for which funds are not available from appropriations or otherwise.

(c) The Secretary may budget anticipated receipts as needed to implement this Part.

~~(d) Should the Secretary find that the Noncommercial Fund balance is insufficient to satisfy all claims and other obligations of the Noncommercial Fund incurred pursuant to this~~

~~Part, the Secretary may transfer funds which would otherwise revert to the General Fund to the Noncommercial Fund in order to meet such claims and obligations.~~

(e) If at any time ~~either the~~ fund balance is insufficient to pay all valid claims against it, the claims shall be paid in full in the order in which they are finally determined. The Secretary may retain not more than five hundred thousand dollars (\$500,000) in the ~~Noncommercial~~ Commercial Fund as a contingency reserve and not apply the reserve to the claims. The Department may use the contingency reserve to conduct cleanups in accordance with G.S. 143-215.94G when an imminent hazard poses a threat to human health or to significant natural resources."

SECTION 14.16A.(h) G.S. 143-215.94M reads as rewritten:

"§ 143-215.94M. Reports.

(a) The Secretary shall present an annual report to the Environmental Review Commission, the Fiscal Research Division, the Senate Appropriations Subcommittee on Natural and Economic Resources, and the House Appropriations Subcommittee on Natural and Economic Resources which shall include at least the following:

- (1) A list of all discharges or releases of petroleum from underground storage tanks.
- (2) ~~A list of all cleanups requiring State funding through the Noncommercial Fund and a comprehensive budget to complete such cleanups.~~
- (3) A list of all cleanups undertaken by tank owners or operators and the status of these cleanups.
- (4) A statement of receipts and disbursements for ~~both the Commercial Fund and the Noncommercial Fund.~~
- (5) A statement of all claims against ~~both the Commercial Fund and the Noncommercial Fund~~, including claims paid, claims denied, pending claims, anticipated claims, and any other obligations.
- (6) The adequacy of ~~both the Commercial Fund and the Noncommercial Fund~~ to carry out the purposes of this Part together with any recommendations as to measures that may be necessary to assure the continued solvency of the ~~Commercial Fund and the Noncommercial Fund.~~
- (7) Repealed by Session Laws 2012-200, s. 23, effective August 1, 2012.

(b) The report required by this section shall be made by the Secretary on or before November 1 of each year."

SECTION 14.16A.(i) Subsections (d) through (h) of this section become effective December 31, 2016. The balance remaining in the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund and any outstanding requests for payment or reimbursement that have been deemed eligible by the Department prior to that date are transferred to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund. 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. The Revisor is also authorized to change references to both the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the NonCommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to refer only to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.

NONCOMMERCIAL TANKS – ELIMINATE INITIAL ABATEMENT REQUIREMENTS

SECTION 14.16B.(a) Rules. – 15A NCAC 02L .0403 (Rule Application), 15A NCAC 02L .0407 (Reclassification of Risk Levels), and Section .0400 of 15A NCAC 02L (Risk-Based Assessment and Corrective Action for Petroleum Underground Storage Tanks). – Until the effective date of the revised permanent rules that the Department of Environment and Natural Resources is required to adopt pursuant to subsection (c) of this section, the Department shall implement 15A NCAC 02L .0403 (Rule Application), 15A NCAC 02L .0407 (Reclassification of Risk Levels), and Section .0400 of 15A NCAC 02L (Risk-Based Assessment and Corrective Action for Petroleum Underground Storage Tanks) as provided in subsections (b) and (c) of this section.

SECTION 14.16B.(b) Implementation. – Notwithstanding 15A NCAC 02L .0403 (Rule Application), subsection (d) of 15A NCAC 02L .0407 (Reclassification of Risk Levels),

and any other provision of Section .0400 of 15A NCAC 02L (Risk-Based Assessment and Corrective Action for Petroleum Underground Storage Tanks), the Department shall:

- (1) Not require a responsible party to take immediate action or initial abatement actions with respect to a discharge or release from a noncommercial underground storage tank until such time as the Department has classified the risk posed by the discharge or release, except for those actions determined by the Department to be necessary to protect public health, safety, and welfare and the environment, and to mitigate any fire, explosion, or vapor hazard.
- (2) Notify the responsible party that no cleanup, no further cleanup, or no further action will be required by the Department if the risk posed by a discharge or release from a noncommercial underground storage tank is determined by the Department to be low risk, without requiring soil remediation pursuant to 15A NCAC 02L .0408. The Department may, however, reclassify the risk if it later determines that the discharge or release poses an unacceptable risk or a potentially unacceptable risk to human health or the environment.

SECTION 14.16B.(c) Additional Rule-Making Authority. – The Department of Environment and Natural Resources shall adopt rules to amend 15A NCAC 02L .0403 (Rule Application), subsection (d) of 15A NCAC 02L .0407 (Reclassification of Risk Levels), and any other provision of Section .0400 of 15A NCAC 02L (Risk-Based Assessment and Corrective Action for Petroleum Underground Storage Tanks), consistent with subsection (b) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Department pursuant to this section shall be substantively identical to the provisions of subsection (b) of this section. Rules adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this section shall become effective as provided in G.S. 150B-21.3(b1) as though 10 or more written objections had been received as provided by G.S. 150B-21.3(b2).

SECTION 14.16B.(d) Effective Date. – Subsection (b) of this section expires on the date that rules adopted pursuant to subsection (c) of this section become effective.

WATER AND WASTEWATER INFRASTRUCTURE GRANTS

SECTION 14.17. Of the funds appropriated in this act to the Department of Environment and Natural Resources for State water and wastewater grants, the sum of five million dollars (\$5,000,000) for the 2015-2016 fiscal year shall be used to provide a grant to a municipality located in a development tier two county where the municipality (i) has a population less than 12,000 and (ii) has previously received a loan during the 2013 calendar year under the Drinking Water State Revolving Fund to replace water distribution lines serving 5,000 or fewer customers that have exceeded their useful life as evidenced by tuberculation, breaks, and leaks. These funds supplement funding in the base budget for water and wastewater infrastructure grants.

MILITARY BUFFERS

SECTION 14.18.(a) The funds appropriated in this act to the Clean Water Management Trust Fund for the purpose of military buffers shall only be expended on land that buffers a military facility from incompatible use encroachment.

SECTION 14.18.(b) For purposes of this section, "military facility" means a major military installation or training area identified in the report prepared by the Office of Land & Water Stewardship entitled "North Carolina Military Installation, Training Area, and Mission Protection Land Use Framework: Phase I" (December 2014 version).

ENVIRONMENTAL ASSESSMENT METHODOLOGY

SECTION 14.19. The Department of Environment and Natural Resources shall review and revise its procedures and rate tables for reimbursement of soil assessment activities. These revisions shall permit the use of Ultra Violet Fluorescence (UVF) and other appropriate test methods as alternatives to US EPA Method 8015 for soil assessment and petroleum contamination delineation activities, where the alternative would (i) not violate federal law or regulations, (ii) provide equivalent accuracy and quality of results, and (iii) result in appreciable cost savings. Nothing in this section is intended to forbid the use of US EPA

Method 8015 where other methods would not be appropriate under the criteria set forth in this section.

LANDFILL CHANGES

SECTION 14.20.(a) G.S. 130A-294 reads as rewritten:

"§ 130A-294. Solid waste management program.

(a) The Department is authorized and directed to engage in research, conduct investigations and surveys, make inspections and establish a statewide solid waste management program. In establishing a program, the Department shall have authority to:

- ...
- (4) a. Develop a permit system governing the establishment and operation of solid waste management facilities. A landfill with a disposal area of 1/2 acre or less for the on-site disposal of land clearing and inert debris is exempt from the permit requirement of this section and shall be governed by G.S. 130A-301.1. Demolition debris from the decommissioning of manufacturing buildings, including electric generating stations, that is disposed of on the same site as the decommissioned buildings, is exempt from the permit requirement of this section and rules adopted pursuant to this section and shall be governed by G.S. 130A-301.3. The Department shall not approve an application for a new permit, ~~the renewal of a permit,~~ major permit modification, or a substantial amendment to a permit for a sanitary landfill, excluding demolition landfills as defined in the rules of the Commission, except as provided in subdivisions (3) and (4) of subsection (b1) of this section. No permit shall be granted for a solid waste management facility having discharges that are point sources until the Department has referred the complete plans and specifications to the Commission and has received advice in writing that the plans and specifications are approved in accordance with the provisions of G.S. 143-215.1. In any case where the Department denies a permit for a solid waste management facility, it shall state in writing the reason for denial and shall also state its estimate of the changes in the applicant's proposed activities or plans that will be required for the applicant to obtain a permit.

...

(a2) ~~Permits for sanitary landfills and transfer stations shall be issued for (i) a design and operation phase of five years or (ii) a design and operation phase of 10 years. A permit issued for a design and operation phase of 10 years shall be subject to a limited review within five years of the issuance date.~~ the life-of-site of the facility unless revoked as otherwise provided under this Article or upon the expiration of any local government franchise required for the facility pursuant to subsection (b1) of this section. For purposes of this section, "life-of-site" means the period from the initial receipt of solid waste at the facility until the Department approves final closure of the facility. Permits issued pursuant to this subsection shall take into account the duration of any permits previously issued for the facility and the remaining capacity at the facility.

(b) The Commission shall adopt and the Department shall enforce rules to implement a comprehensive statewide solid waste management program. The rules shall be consistent with applicable State and federal law; and shall be designed to protect the public health, safety, and welfare; preserve the environment; and provide for the greatest possible conservation of cultural and natural resources. Rules for the establishment, location, operation, maintenance, use, discontinuance, recordation, post-closure care of solid waste management facilities also shall be based upon recognized public health practices and procedures, including applicable epidemiological research and studies; hydrogeological research and studies; sanitary engineering research and studies; and current technological development in equipment and methods. The rules shall not apply to the management of solid waste that is generated by an individual or individual family or household unit on the individual's property and is disposed of on the individual's property.

- (b1) (1) For purposes of this subsection and subdivision (4) of subsection (a) of this section, a "substantial amendment" means either:

- a. An increase of ten percent (10%) or more in:
 1. The population of the geographic area to be served by the sanitary landfill;
 2. The quantity of solid waste to be disposed of in the sanitary landfill; or
 3. The geographic area to be served by the sanitary landfill.
 - b. A change in the categories of solid waste to be disposed of in the sanitary landfill or any other change to the application for a permit or to the permit for a sanitary landfill that the Commission or the Department determines to be substantial.
- (2) A person who intends to apply for a new permit, ~~the renewal of a permit, major permit modification,~~ or a substantial amendment to a permit for a sanitary landfill shall obtain, prior to applying for a permit, a franchise for the operation of the sanitary landfill from each local government having jurisdiction over any part of the land on which the sanitary landfill and its appurtenances are located or to be located. A local government may adopt a franchise ordinance under G.S. 153A-136 or G.S. 160A-319. A franchise granted for a sanitary landfill shall be granted for the life-of-site of the landfill and shall include all of the following:
- a. A statement of the population to be served, including a description of the geographic area.
 - b. A description of the volume and characteristics of the waste stream.
 - c. A projection of the useful life of the sanitary landfill.
 - d. Repealed by Session Laws 2013-409, s. 8, effective August 23, 2013.
 - e. The procedures to be followed for governmental oversight and regulation of the fees and rates to be charged by facilities subject to the franchise for waste generated in the jurisdiction of the franchising entity.
 - f. A facility plan for the sanitary landfill that shall include the boundaries of the proposed facility, proposed development of the facility ~~site in five-year operational phases, site,~~ the boundaries of all waste disposal units, final elevations and capacity of all waste disposal units, the amount of waste to be received per day in tons, the total waste disposal capacity of the sanitary landfill in tons, a description of environmental controls, and a description of any other waste management activities to be conducted at the facility. In addition, the facility plan shall show the proposed location of soil borrow areas, leachate facilities, and all other facilities and infrastructure, including ingress and egress to the facility.
- ...
- (4) An applicant for a new permit, ~~the renewal of a permit, major permit modification,~~ or a substantial amendment to a permit for a sanitary landfill shall request each local government having jurisdiction over any part of the land on which the sanitary landfill and its appurtenances are located or to be located to issue a determination as to whether the local government has in effect a franchise, zoning, subdivision, or land-use planning ordinance applicable to the sanitary landfill and whether the proposed sanitary landfill, or the existing sanitary landfill as it would be operated under the ~~renewed or major permit modification or~~ substantially amended permit, would be consistent with the applicable ordinances. The request to the local government shall be accompanied by a copy of the permit application and shall be delivered to the clerk of the local government personally or by certified mail. In order to serve as a basis for a determination that an application for a new permit, ~~the renewal of a permit, major permit modification,~~ or a substantial amendment to a permit for a sanitary landfill is consistent with a zoning, subdivision, or land-use planning ordinance, an ordinance or zoning classification applicable to the real property designated in the permit application shall have been in effect not less than 90 days prior to the date the request for a determination of consistency is delivered to the

clerk of the local government. The determination shall be verified or supported by affidavit signed by the chief administrative officer, the chief administrative officer's designee, clerk, or other official designated by the local government to make the determination and, if the local government states that the sanitary landfill as it would be operated under the ~~new, renewed, new permit, major permit modification,~~ or substantially amended permit is inconsistent with a franchise, zoning, subdivision, or land-use planning ordinance, shall include a copy of the ordinance and the specific reasons for the determination of inconsistency. A copy of the determination shall be provided to the applicant when the determination is submitted to the Department. The Department shall not act upon an application for a permit under this section until it has received a determination from each local government requested to make a determination by the applicant; provided that if a local government fails to submit a determination to the Department as provided by this subsection within 15 days after receipt of the request, the Department shall proceed to consider the permit application without regard to a franchise, local zoning, subdivision, and land-use planning ordinances. Unless the local government makes a subsequent determination of consistency with all ordinances cited in the determination or the sanitary landfill as it would be operated under the ~~new, renewed, new permit, major permit modification,~~ or substantially amended permit is determined by a court of competent jurisdiction to be consistent with the cited ordinances, the Department shall attach as a condition of the permit a requirement that the applicant, prior to construction or operation of the sanitary landfill under the permit, comply with all lawfully adopted local ordinances cited in the determination that apply to the sanitary landfill. This subsection shall not be construed to affect the validity of any lawfully adopted franchise, local zoning, subdivision, or land-use planning ordinance or to affect the responsibility of any person to comply with any lawfully adopted franchise, local zoning, subdivision, or land-use planning ordinance. This subsection shall not be construed to limit any opportunity a local government may have to comment on a permit application under any other law or rule. This subsection shall not apply to any facility with respect to which local ordinances are subject to review under either G.S. 104E-6.2 or G.S. 130A-293.

- (5) As used in this subdivision, "coal-fired generating unit" and "investor-owned public utility" have the same meaning as in G.S. 143-215.107D(a). Notwithstanding subdivisions (a)(4), (b1)(3), or (b1)(4) of this section, no franchise shall be required for a sanitary landfill used only to dispose of waste generated by a coal-fired generating unit that is owned or operated by an investor-owned utility subject to the requirements of G.S. 143-215.107D.

....."

SECTION 14.20.(b) No later than July 1, 2016, the Environmental Management Commission shall adopt rules to allow applicants for permits for sanitary landfills to apply for a permit for the life-of-site of the facility. No later than July 1, 2016, the Commission shall also adopt rules to allow applicants for permits for transfer stations to apply for a permit to construct and operate a transfer station for the life-of-site of the station.

SECTION 14.20.(b1) Nothing in subsections (a) and (b) of this section is intended to diminish or otherwise weaken the authority of the Department of Environment and Natural Resources to inspect, review, fine, or otherwise enforce permit conditions, statutes, or rules applicable to a sanitary landfill or transfer station.

SECTION 14.20.(c) G.S. 130A-295.8 reads as rewritten:

"§ 130A-295.8. Fees applicable to permits for solid waste management facilities.

(a) The Solid Waste Management Account is established as a nonreverting account within the Department. All fees collected under this section shall be credited to the Account and shall be used to support the solid waste management program established pursuant to G.S. 130A-294.

(b) As used in this section:

- (1) "Major permit modification" means an application for any change to the approved engineering plans for a sanitary landfill or transfer station permitted for a 10-year design capacity or for life-of-site under G.S. 130A-294(a2) that does not constitute a "permit amendment," "new permit," or "permit modification."
- (1a) "New permit" means any of the following:
- a. An application for a permit for a solid waste management facility that has not been previously permitted by the Department. The term includes one site suitability review, the initial permit to construct, and one permit to ~~operate the constructed portion of a phase included in the permit to construct.~~operate.
 - b. An application that proposes to expand the boundary of a permitted waste management facility for the purpose of expanding the permitted activity.
 - c. An application that includes a proposed expansion to the boundary of a waste disposal unit within a permitted solid waste management facility.
 - d. An application for a substantial amendment to a solid waste permit, as defined in G.S. 130A-294.
 - e. An application for a permit to be issued pursuant to G.S. 130A-294(a2), which is issued for a duration of less than a facility's life-of-site based upon permits previously issued to a facility.
- (2) "Permit amendment" means any of the following:
- a. ~~An application for a permit to construct and one permit to operate for the second and subsequent phases of landfill development described in the approved facility plan for a permitted solid waste management facility.~~
 - b. An application for the five-year renewal of a permit for a permitted solid waste management facility or for a permit review of a permitted solid waste management facility. This sub-subdivision shall not apply to sanitary landfills or transfer stations.
 - c. Any application that proposes a change in ownership or corporate structure of a permitted solid waste management facility. This sub-subdivision shall not apply to sanitary landfills or transfer stations.
- (3) "Permit modification" means any of the following:
- a. An application for any change to the plans approved in a permit for a solid waste management facility that does not constitute a "permit amendment" or a "new permit". This sub-subdivision shall not apply to sanitary landfills or transfer stations.
 - b. ~~A second or subsequent permit to operate for a constructed portion of a phase included in the permit to construct.~~
 - c. An application for a five-year limited review of a 10-year permit, including review of the operations plan, closure plan, post-closure plan, financial assurance cost estimates, environmental monitoring plans, and any other applicable plans for the facility.
- (4) "Ownership modification" means any application that proposes a change in ownership or corporate structure of a permitted sanitary landfill or transfer station.
- (e) ~~An applicant for a permit shall pay an application fee upon submission of an application according to the following schedule:~~
- (1) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Five Year) — \$25,000.~~
 - (1a) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Ten Year) — \$38,500.~~
 - (2) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Five Year) — \$15,000.~~

- (2a) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Ten Year) — \$28,500.~~
- (3) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, Modification (Five Year) — \$1,500.~~
- (3a) ~~Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste, Major Modification (Ten Year) — \$7,500.~~
- (4) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Five Year) — \$50,000.~~
- (4a) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Ten Year) — \$77,000.~~
- (5) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Five Year) — \$30,000.~~
- (5a) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Ten Year) — \$57,000.~~
- (6) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, Modification (Five Year) — \$3,000.~~
- (6a) ~~Municipal Solid Waste Landfill accepting 100,000 tons/year or more of solid waste, Major Modification (Ten Year) — \$15,000.~~
- (7) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Five Year) — \$15,000.~~
- (7a) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Ten Year) — \$22,500.~~
- (8) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Five Year) — \$9,000.~~
- (8a) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Ten Year) — \$16,500.~~
- (9) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, Modification (Five Year) — \$1,500.~~
- (9a) ~~Construction and Demolition Landfill accepting less than 100,000 tons/year of solid waste, Major Modification (Ten Year) — \$4,500.~~
- (10) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Five Year) — \$30,000.~~
- (10a) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Ten Year) — \$46,000.~~
- (11) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Five Year) — \$18,500.~~
- (11a) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Ten Year) — \$34,500.~~
- (12) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, Modification (Five Year) — \$2,500.~~
- (12a) ~~Construction and Demolition Landfill accepting 100,000 tons/year or more of solid waste, Major Modification (Ten Year) — \$9,250.~~
- (13) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Five Year) — \$15,000.~~
- (13a) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, New Permit (Ten Year) — \$22,500.~~
- (14) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Five Year) — \$9,000.~~
- (14a) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, Amendment (Ten Year) — \$16,500.~~
- (15) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, Modification (Five Year) — \$1,500.~~
- (15a) ~~Industrial Landfill accepting less than 100,000 tons/year of solid waste, Major Modification (Ten Year) — \$4,500.~~
- (16) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Five Year) — \$30,000.~~
- (16a) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, New Permit (Ten Year) — \$46,000.~~

- (17) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Five Year) — \$18,500.~~
- (17a) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, Amendment (Ten Year) — \$34,500.~~
- (18) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, Modification (Five Year) — \$2,500.~~
- (18a) ~~Industrial Landfill accepting 100,000 tons/year or more of solid waste, Major Modification (Ten Year) — \$9,250.~~
- (19) ~~Tire Monofill, New Permit — \$1,750.~~
- (19a) ~~Tire Monofill, New Permit (Ten Year) — \$2,500.~~
- (20) ~~Tire Monofill, Amendment — \$1,250.~~
- (20A) ~~Tire Monofill, Amendment (Ten Year) — \$2,000.~~
- (21) ~~Tire Monofill, Modification — \$500.~~
- (21A) ~~Tire Monofill, Major Modification — \$625.~~
- (22) ~~Treatment and Processing, New Permit — \$1,750.~~
- (23) ~~Treatment and Processing, Amendment — \$1,250.~~
- (24) ~~Treatment and Processing, Modification — \$500.~~
- (25) ~~Transfer Station, New Permit (Five Year) — \$5,000.~~
- (25a) ~~Transfer Station, New Permit (Ten Year) — \$7,500.~~
- (26) ~~Transfer Station, Amendment (Five Year) — \$3,000.~~
- (26a) ~~Transfer Station, Amendment (Ten Year) — \$5,500.~~
- (27) ~~Transfer Station, Modification (Five Year) — \$500.~~
- (27a) ~~Transfer Station, Major Modification (Ten Year) — \$1,500.~~
- (28) ~~Incinerator, New Permit — \$1,750.~~
- (29) ~~Incinerator, Amendment — \$1,250.~~
- (30) ~~Incinerator, Modification — \$500.~~
- (31) ~~Large Compost Facility, New Permit — \$1,750.~~
- (32) ~~Large Compost Facility, Amendment — \$1,250.~~
- (33) ~~Large Compost Facility, Modification — \$500.~~
- (34) ~~Land Clearing and Inert, New Permit — \$1,000.~~
- (35) ~~Land Clearing and Inert, Amendment — \$500.~~
- (36) ~~Land Clearing and Inert, Modification — \$250.~~

(d) ~~A permitted solid waste management facility shall pay an annual permit fee on or before 1 August of each year according to the following schedule:~~

- (1) ~~Municipal Solid Waste Landfill — \$3,500.~~
- (2) ~~Post-Closure Municipal Solid Waste Landfill — \$1,000.~~
- (3) ~~Construction and Demolition Landfill — \$2,750.~~
- (4) ~~Post-Closure Construction and Demolition Landfill — \$500.~~
- (5) ~~Industrial Landfill — \$2,750.~~
- (6) ~~Post-Closure Industrial Landfill — \$500.~~
- (7) ~~Transfer Station — \$750.~~
- (8) ~~Treatment and Processing Facility — \$500.~~
- (9) ~~Tire Monofill — \$500.~~
- (10) ~~Incinerator — \$500.~~
- (11) ~~Large Compost Facility — \$500.~~
- (12) ~~Land Clearing and Inert Debris Landfill — \$500.~~

(d1) A permitted solid waste management facility shall pay an annual permit fee on or before August 1 of each year according to the following schedule:

- (1) Municipal Solid Waste Landfill accepting less than 100,000 tons/year of solid waste — \$6,125.
- (2) Municipal Solid Waste Landfill accepting 100,000 tons/year or more but less than 250,000 tons/year of solid waste — \$7,000.
- (3) Municipal Solid Waste Landfill accepting 250,000 tons/year or more of solid waste — \$8,750.
- (4) Post-Closure Municipal Solid Waste Landfill — \$1,000.
- (5) Construction and Demolition Landfill accepting less than 25,000 tons/year of solid waste — \$4,813.
- (6) Construction and Demolition Landfill accepting 25,000 tons/year or more of solid waste — \$5,500.

- (7) Post-Closure Construction and Demolition Landfill – \$500.
- (8) Industrial Landfill accepting less than 100,000 tons/year of solid waste – \$5,500.
- (9) Industrial Landfill accepting 100,000 tons/year or more of solid waste – \$6,875.
- (10) Post-Closure Industrial Landfill – \$500.
- (11) Transfer Station accepting less than 25,000 tons/year of solid waste – \$1,500.
- (12) Transfer Station accepting 25,000 tons/year or more of solid waste – \$1,875.
- (13) Treatment and Processing Facility – \$500.
- (14) Tire Monofill – \$1,000.
- (15) Incinerator – \$500.
- (16) Large Compost Facility – \$500.
- (17) Land Clearing and Inert Debris Landfill – \$500.

(d2) Upon submission of an application for a new permit, an applicant shall pay an application fee in the amount of ten percent (10%) of the annual permit fee imposed for that type of solid waste management facility as identified in subdivisions (1) through (17) of subsection (d1) of this section.

...."

SECTION 14.20.(d) G.S. 130A-295.3 reads as rewritten:

"§ 130A-295.3. **Environmental compliance review requirements for applicants and permit holders.**

...
 (b) The Department shall conduct an environmental compliance review of each applicant for a new ~~permit, permit renewal, permit~~ and permit amendment under this Article. The environmental compliance review shall evaluate the environmental compliance history of the applicant for a period of five years prior to the date of the application and may cover a longer period at the discretion of the Department. The environmental compliance review of an applicant may include consideration of the environmental compliance history of the parents, subsidiaries, or other affiliates of an applicant or parent that is a business entity, including any business entity or joint venturer with a direct or indirect interest in the applicant, and other facilities owned or operated by any of them. The Department shall determine the scope of the review of the environmental compliance history of the applicant, parents, subsidiaries, or other affiliates of the applicant or parent, including any business entity or joint venturer with a direct or indirect interest in the applicant, and of other facilities owned or operated by any of them. An applicant for a permit shall provide environmental compliance history information for each facility, business entity, joint venture, or other undertaking in which any of the persons listed in this subsection is or has been an owner, operator, officer, director, manager, member, or partner, or in which any of the persons listed in this subsection has had a direct or indirect interest as requested by the Department.

...."

SECTION 14.20.(e) After July 1, 2016, the annual fee due pursuant to G.S. 130A-295.8A(d1), as enacted by Section 14.20(c) of this act, for existing sanitary landfills and transfer stations with a valid permit issued before the date this act becomes effective is equal to the applicable annual fee for the facility as set forth in G.S. 130A-295.8A(d1), as enacted by Section 14.20(c) of this act, less a permittee fee credit. A permittee fee credit exists when the life-of-site permit fee amount is greater than the time-limited permit fee amount. The amount of the permittee fee credit shall be calculated by (i) subtracting the time-limited permit fee amount from the life-of-site permit fee amount due for the same period of time and (ii) multiplying the difference by a fraction, the numerator of which is the number of years remaining in the facility's time-limited permit and the denominator of which is the total number of years covered by the facility's time-limited permit. The amount of the permittee fee credit shall be allocated in equal annual installments over the number of years that constitute the facility's remaining life-of-site, as determined by the Department, unless the Department accelerates, in its sole discretion, the use of the credit over a shorter period of time. For purposes of this subsection, the following definitions apply:

- (1) Life-of-site permit fee amount. – The amount equal to the sum of all annual fees that would be due under the fee structure set forth in

G.S. 130A-295.8A(d1), as enacted by Section 14.20(c) of this act, during the cycle of the facility's permit in effect on July 1, 2016.

- (2) Time-limited permit fee amount. – The amount equal to the sum of the application fee or renewal fee, whichever is applicable, and all annual fees paid or to be paid pursuant to subsections (c) and (d) of G.S. 130A-295.8A, as repealed by Section 14.20(c) of this act, during the cycle of the facility's permit in effect on July 1, 2016.

The Department shall adopt rules to implement this subsection.

SECTION 14.20.(f) This section becomes effective October 1, 2015. G.S. 130A-294(b1)(2), as amended by subsection (a) of this section, applies to franchise agreements executed on or after October 1, 2015. The remainder of G.S. 130A-294, as amended by subsection (a) of this section, and G.S. 130A-295.8, as amended by subsection (c) of this section, apply to (i) existing sanitary landfills and transfer stations, with a valid permit issued before the date this act becomes effective, when that permit is next subject to renewal after July 1, 2016, (ii) new sanitary landfills and transfer stations, for applications submitted on or after July 1, 2016, and (iii) applications for sanitary landfills or transfer stations submitted before July 1, 2015, and pending on the date this act becomes law shall be evaluated by the Department based on the applicable laws that were in effect on July 1, 2015, and the Department shall not delay in processing such permit applications in consideration of changes made by this act, but such landfills and transfer stations shall be eligible for issuance of life-of-site permits pursuant to G.S. 130A-294(a2), as amended by Section 14.20(b) of this act, when that permit is next subject to renewal after July 1, 2016.

ENVIRONMENTAL REVIEW COMMISSION STUDIES

SECTION 14.21.(a) The Environmental Review Commission shall convene a stakeholder working group to study local government authority over solid waste management matters, including (i) the authority to enact ordinances concerning collection and processing of solid waste generated within their jurisdictions, as well as their authority to charge fees for such services; (ii) an examination of costs to local governments for providing solid waste collection and processing services to citizens; (iii) whether efficiencies and cost reductions could be realized through privatization of such services, and what impacts might result from privatization, including any bearing on local government financing of currently sited solid waste management facilities; and (iv) any other issue the Commission deems relevant. In the conduct of this study, the Commission shall consult with representatives of the League of Municipalities, the Association of County Commissioners, the Local Government Commission, faculty from the School of Government at the University of North Carolina at Chapel Hill, as well as private waste management interests, at a minimum. The Division of Waste Management and the Division of Environmental Assistance and Customer Service of the Department of Environment and Natural Resources shall provide any information and personnel requested by the Commission in the conduct of a study required by this section.

SECTION 14.21.(b) The Environmental Review Commission shall study the use of new technologies and strategies, including the use of integrated and mobile aerosolization systems, to dewater leachate and other forms of wastewater for the purpose of reducing the burden and cost of disposal at the site where it is generated. The Commission shall determine the efficiency, cost-effectiveness, and environmental impact of each studied technology and strategy. The Division of Waste Management and the Division of Water Resources of the Department of Environment and Natural Resources shall provide any information and personnel requested by the Commission in the conduct of a study required by this section.

PETITION FOR WETLANDS MITIGATION FLEXIBILITY

SECTION 14.24.(a) No later than January 1, 2016, the Department of Environment and Natural Resources shall petition the Wilmington District, the South Atlantic Division, and the Headquarters of the United States Army Corps of Engineers (the Corps Offices) to allow for greater flexibility and opportunity to perform wetlands mitigation outside of the eight-digit Hydrologic Unit Code (HUC) where development will occur. The Department shall seek this greater flexibility and opportunity for mitigation for both public and private development. The Department shall request that the Corps Offices review the flexibility and opportunities for mitigation allowed by other Districts of the United States Army Corps of Engineers, both within the South Atlantic District and nationwide.

SECTION 14.24.(b) The Department shall report on its progress in petitioning the Corps Offices as required by subsection (a) of this section to the Environmental Review Commission, the chairs of the Senate Appropriations Committee on Natural and Economic Resources and the House Appropriations Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division no later than March 1, 2016.

REFORM CIVIL PENALTIES UNDER THE SEDIMENTATION POLLUTION CONTROL ACT

SECTION 14.26.(a) G.S. 113A-54 is amended by adding a new subsection to read:

"(g) The Commission is authorized to make the final decision on a request for the remission of a civil penalty under G.S. 113A-64.2."

SECTION 14.26.(b) G.S. 113A-64(a) reads as rewritten:

"(a) Civil Penalties. –

(1) Any person who violates any of the provisions of this Article or any ordinance, rule, or order adopted or issued pursuant to this Article by the Commission or by a local government, or who initiates or continues a land-disturbing activity for which an erosion and sedimentation control plan is required except in accordance with the terms, conditions, and provisions of an approved plan, is subject to a civil penalty. The maximum civil penalty for a violation is five thousand dollars (\$5,000). A civil penalty may be assessed from the date of the violation. Each day of a continuing violation shall constitute a separate violation. When the person has not been assessed any civil penalty under this subsection for any previous violation and that person abated continuing environmental damage resulting from the violation within 180 days from the date of the notice of violation, the maximum cumulative total civil penalty assessed under this subsection for all violations associated with the land-disturbing activity for which the erosion and sedimentation control plan is required is twenty-five thousand dollars (\$25,000).

(2) The Secretary or a local government that administers an erosion and sedimentation control program approved under G.S. 113A-60 shall determine the amount of the civil penalty and shall notify the person who is assessed the civil penalty of the amount of the ~~penalty and penalty~~, the reason for assessing the ~~penalty-penalty~~, the option available to that person to request a remission of the civil penalty under G.S. 113A-64.2, the date of the deadline for that person to make the remission request regarding this particular penalty, and, when that person has not been assessed any civil penalty under this section for any previous violation, the date of the deadline for that person to abate continuing environmental damage resulting from the violation in order to be subject to the maximum cumulative total civil penalty under subdivision (1) of this subsection. The notice of assessment shall be served by any means authorized under G.S. 1A-1, Rule 4, and shall direct the violator to either pay the assessment or contest the assessment within 30 days by filing a petition for a contested case under Article 3 of Chapter 150B of the General Statutes. If a violator does not pay a civil penalty assessed by the Secretary within 30 days after it is due, the Department shall request the Attorney General to institute a civil action to recover the amount of the assessment. If a violator does not pay a civil penalty assessed by a local government within 30 days after it is due, the local government may institute a civil action to recover the amount of the assessment. The civil action may be brought in the superior court of any county where the violation occurred or the violator's residence or principal place of business is located. A civil action must be filed within three years of the date the assessment was due. An assessment that is not contested is due when the violator is served with a notice of assessment. An assessment that is contested is due at the conclusion of the administrative and judicial review of the assessment.

...."

SECTION 14.26.(c) Article 4 of Chapter 113A of the General Statutes is amended by adding a new section to read:

"§ 113A-64.2. Remission of civil penalties.

(a) A request for remission of a civil penalty imposed under G.S. 113A-64 may be filed with the Commission within 60 days of receipt of the notice of assessment. A remission request must be accompanied by a waiver of the right to a contested case hearing pursuant to Chapter 150B of the General Statutes and a stipulation of the facts on which the assessment was based.

(b) The following factors shall be considered in determining whether a civil penalty remission request will be approved:

- (1) Whether one or more of the civil penalty assessment factors in G.S. 113A-64(a)(3) were wrongly applied to the detriment of the petitioner.
- (2) Whether the petitioner promptly abated continuing environmental damage resulting from the violation.
- (3) Whether the violation was inadvertent or a result of an accident.
- (4) Whether the petitioner had been assessed civil penalties for any previous violations.
- (5) Whether payment of the civil penalty will prevent payment for necessary remedial actions or would otherwise create a significant financial hardship.
- (6) The assessed property tax valuation of the petitioner's property upon which the violation occurred, excluding the value of any structures located on the property.

(c) The petitioner has the burden of providing information concerning the financial impact of a civil penalty on the petitioner and the burden of showing the petitioner's financial hardship.

(d) The Commission may remit the entire amount of the penalty only when the petitioner has not been assessed civil penalties for previous violations and payment of the civil penalty will prevent payment for necessary remedial actions.

(e) The Commission may not impose a penalty under this section that is in excess of the civil penalty imposed by the Department."

SECTION 14.26.(d) G.S. 113A-61.1(c) reads as rewritten:

"(c) If the Secretary, a local government that administers an erosion and sedimentation control program approved under G.S. 113A-60, or other approving authority determines that the person engaged in the land-disturbing activity has failed to comply with this Article, the Secretary, local government, or other approving authority shall immediately serve a notice of violation upon that person. The notice may be served by any means authorized under G.S. 1A-1, Rule 4. A notice of violation shall specify a date by which the person must comply with this Article and inform the person of the actions that need to be taken to comply with this Article. Any person who fails to comply within the time specified is subject to additional civil and criminal penalties for a continuing violation as provided in G.S. 113A-64. If the person engaged in the land-disturbing activity has not received a previous notice of violation under this section, the Department, local government, or other approving authority shall deliver the notice of violation in person and shall offer assistance in developing corrective measures. Assistance may be provided by referral to a technical assistance program in the Department, referral to a cooperative extension program, or by the provision of written materials such as Department guidance documents. If the Department, local government, or other approving authority is unable to deliver the notice of violation in person within 15 days following discovery of the violation, the notice of violation may be served in the manner prescribed for service of process by G.S. 1A-1, Rule 4, and shall include information on how to obtain assistance in developing corrective measures."

SECTION 14.26.(e) This section is effective when this act becomes law and applies to civil penalties assessed and notices of violation issued on or after that date.

ENERGY CENTERS

SECTION 14.27. Of the funds appropriated in this act for University energy centers, the sum of two hundred fifty-three thousand four hundred sixty-five dollars (\$253,465) shall be allocated to the energy center at Appalachian State University, the sum of four hundred three thousand four hundred sixty-eight dollars (\$403,468) shall be allocated to the energy center at North Carolina Agricultural and Technical University, and the sum of four hundred thousand dollars (\$400,000) shall be allocated to the energy center at North Carolina State

University. The center at North Carolina Agricultural and Technical University shall prioritize the use of these funds for (i) study of the beneficial reuse of coal combustion residuals and (ii) the preparation and prosecution of a patent application covering any reuse technology developed at the center.

ENERGY EXPLORATION FUNDS

SECTION 14.28. The funds appropriated by this act to the Department of Environment and Natural Resources for energy exploration shall be used at the discretion of the Secretary, in consultation with the State Geologist, for any of the following purposes:

- (1) The leveraging of private funds as part of an energy exploration consortium.
- (2) The drilling of vertical geological test holes in any shale-bearing basin with the potential for commercial natural gas production and for support of any relevant geological analyses required to examine the basins, cores, or boreholes or in order to evaluate natural gas potential.
- (3) The analysis of preexisting cores and assessment of existing or necessary infrastructure for natural gas production and development.

OYSTER RESEARCH REPORTING

SECTION 14.29A. The Division of Marine Fisheries and the University of North Carolina at Wilmington shall annually report no later than March 1 to the chairs of the Senate and the House of Representatives appropriations committees with jurisdiction over natural and economic resources and the Fiscal Research Division regarding the funding for oyster research and restoration activities provided by this act. The report shall include detail regarding the use of the funds, including activities completed and additional personnel supported by the funds.

CONSOLIDATE ALL STATE ATTRACTIONS WITHIN DEPARTMENT OF CULTURAL RESOURCES TO CREATE THE DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

SECTION 14.30.(a) The Department of Cultural Resources is renamed the Department of Natural and Cultural Resources, and all functions, powers, duties, and obligations vested in the following programs, divisions, and entities within the Department of Environment and Natural Resources are transferred to, vested in, and consolidated within the Department of Natural and Cultural Resources by a Type I transfer, as defined in G.S. 143A-6:

- (1) The Division of Parks and Recreation.
- (2) The State Parks System, including Mount Mitchell State Park.
- (3) The North Carolina Aquariums Division.
- (4) The North Carolina Zoological Park.
- (5) The Museum of Natural Sciences.
- (6) Clean Water Management Trust Fund.
- (7) The Natural Heritage Program, within the Office of Land and Water Stewardship.

SECTION 14.30.(b) All functions, powers, duties, and obligations vested in the following commissions, boards, councils, and committees within the Department of Environment and Natural Resources are transferred to, vested in, and consolidated within the Department of Natural and Cultural Resources by a Type II transfer, as defined in G.S. 143A-6:

- (1) North Carolina Parks and Recreation Authority.
- (2) North Carolina Trails Committee.
- (3) North Carolina Zoological Park Council.
- (4) Advisory Commission for North Carolina State Museum of Natural Sciences.
- (5) Clean Water Management Trust Fund Board of Trustees.

SECTION 14.30.(c) The Department of Environment and Natural Resources is renamed the Department of Environmental Quality. All references to the Department of Environment and Natural Resources or the Department of Cultural Resources in acts of the 2015 General Assembly taking effect on or after the effective date of this section and in the Committee Report described in Section 33.2 of this act shall be construed to refer to the Department of Environmental Quality or the Department of Natural and Cultural Resources, respectively. References to duties or requirements of the Department of Environment and Natural Resources with respect to entities transferred under subsections (a) and (b) of this

section shall be construed as duties or requirements of the Department of Natural and Cultural Resources as reorganized by this section.

RECODIFICATION OF AFFECTED STATUTES

SECTION 14.30.(d) The following apply to any recodification pursuant to subsections (e) through (k) of this section:

- (1) The recodifications are of the affected statutes as rewritten by subsections (l) through (r) of this section, as applicable.
- (2) Prior session laws that required the Revisor of Statutes to set out certain provisions as notes to the former statutes shall be set out as notes to the recodified statutes.

SECTION 14.30.(e) Subchapter II of Chapter 113 of the General Statutes, consisting of Article 2 and Article 2C, and G.S. 113-23 are recodified as Parts 31 and 32 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Article 2:	Part 31:
G.S. 113-29	G.S. 143B-135.10
G.S. 113-34	G.S. 143B-135.12
G.S. 113-34.1	G.S. 143B-135.14
G.S. 113-35	G.S. 143B-135.16
G.S. 113-37	G.S. 143B-135.18
G.S. 113-39	G.S. 143B-135.20
G.S. 113-40	G.S. 143B-135.22
G.S. 113-41	G.S. 143B-135.24
G.S. 113-42	G.S. 143B-135.26
G.S. 113-43	G.S. 143B-135.28
G.S. 113-44	G.S. 143B-135.30
Article 2C:	Part 32:
G.S. 113-44.7	G.S. 143B-135.40
G.S. 113-44.8	G.S. 143B-135.42
G.S. 113-23	G.S. 143B-135.43
G.S. 113-44.9	G.S. 143B-135.44
G.S. 113-44.10	G.S. 143B-135.46
G.S. 113-44.11	G.S. 143B-135.48
G.S. 113-44.12	G.S. 143B-135.50
G.S. 113-44.13	G.S. 143B-135.52
G.S. 113-44.14	G.S. 143B-135.54
G.S. 113-44.15	G.S. 143B-135.56

SECTION 14.30.(f) Articles 5 and 6 of Chapter 113A of the General Statutes and Part 21 of Article 7 of Chapter 143B of the General Statutes and Article 3 of Chapter 113A of the General Statutes are recodified as Parts 33, 34, 35, and 36 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Article 5:	Part 33:
G.S. 113A-72	G.S. 143B-135.70
G.S. 113A-73	G.S. 143B-135.72
G.S. 113A-74	G.S. 143B-135.74
G.S. 113A-75	G.S. 143B-135.76
G.S. 113A-76	G.S. 143B-135.78
G.S. 113A-77	G.S. 143B-135.80
Article 6:	Part 34:
G.S. 113A-83	G.S. 143B-135.90
G.S. 113A-84	G.S. 143B-135.92
G.S. 113A-85	G.S. 143B-135.94
G.S. 113A-86	G.S. 143B-135.96
G.S. 113A-87	G.S. 143B-135.98
G.S. 113A-87.1	G.S. 143B-135.100
G.S. 113A-88	G.S. 143B-135.102
G.S. 113A-89	G.S. 143B-135.104

G.S. 113A-90	G.S. 143B-135.106
G.S. 113A-91	G.S. 143B-135.108
G.S. 113A-92	G.S. 143B-135.110
G.S. 113A-92.1	G.S. 143B-135.112
G.S. 113A-93	G.S. 143B-135.114
G.S. 113A-94	G.S. 143B-135.116
G.S. 113A-95	G.S. 143B-135.118
Part 21:	Part 35:
G.S. 143B-333	G.S. 143B-135.130
G.S. 143B-334	G.S. 143B-135.132
Article 3:	Part 36:
G.S. 113A-30	G.S. 143B-135.140
G.S. 113A-31	G.S. 143B-135.142
G.S. 113A-32	G.S. 143B-135.144
G.S. 113A-33	G.S. 143B-135.146
G.S. 113A-34	G.S. 143B-135.148
G.S. 113A-35	G.S. 143B-135.150
G.S. 113A-35.1	G.S. 143B-135.152
G.S. 113A-35.2	G.S. 143B-135.154
G.S. 113A-36	G.S. 143B-135.156
G.S. 113A-37	G.S. 143B-135.158
G.S. 113A-38	G.S. 143B-135.160
G.S. 113A-39	G.S. 143B-135.162
G.S. 113A-40	G.S. 143B-135.164
G.S. 113A-41	G.S. 143B-135.166
G.S. 113A-42	G.S. 143B-135.168
G.S. 113A-43	G.S. 143B-135.170
G.S. 113A-44	G.S. 143B-135.172

SECTION 14.30.(g) Part 5C of Article 7 of Chapter 143B of the General Statutes is recodified as Part 37 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Part 5C:	Part 37:
G.S. 143B-289.40	G.S. 143B-135.180
G.S. 143B-289.41	G.S. 143B-135.182
G.S. 143B-289.42	G.S. 143B-135.184
G.S. 143B-289.43	G.S. 143B-135.186
G.S. 143B-289.44	G.S. 143B-135.188
G.S. 143B-289.45	G.S. 143B-135.190

SECTION 14.30.(h) Part 13A of Article 7 of Chapter 143B of the General Statutes is recodified as Part 38 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Part 13A:	Part 38:
G.S. 143B-313.1	G.S. 143B-135.200
G.S. 143B-313.2	G.S. 143B-135.202

SECTION 14.30.(i) Part 22 of Article 7 of Chapter 143B of the General Statutes is recodified as Part 39 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Part 22:	Part 39:
G.S. 143B-335	G.S. 143B-135.205
G.S. 143B-336	G.S. 143B-135.207
G.S. 143B-336.1	G.S. 143B-135.209

SECTION 14.30.(j) Article 14 of Chapter 143 of the General Statutes, consisting of G.S. 143-177 through G.S. 143-177.3, is recodified into Part 39 of Article 2 of Chapter 143B as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
G.S. 143-177	G.S. 143B-135.210

G.S. 143-177.1
G.S. 143-177.2
G.S. 143-177.3

G.S. 143B-135.211
G.S. 143B-135.212
G.S. 143B-135.213

SECTION 14.30.(k) Part 29 of Article 7 of Chapter 143B of the General Statutes is recodified as Part 40 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Part 29:	Part 40:
G.S. 143B-344.18	G.S. 143B-135.215
G.S. 143B-344.19	G.S. 143B-135.217
G.S. 143B-344.20	G.S. 143B-135.219
G.S. 143B-344.21	G.S. 143B-135.221
G.S. 143B-344.22	G.S. 143B-135.223
G.S. 143B-344.23	G.S. 143B-135.229

SECTION 14.30.(k1) Article 18 of Chapter 113A of the General Statutes is recodified as Part 41 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Article 18:	Part 41:
G.S. 113A-251	G.S. 143B-135.230
G.S. 113A-252	G.S. 143B-135.232
G.S. 113A-253	G.S. 143B-135.234
G.S. 113A-253.2	G.S. 143B-135.236
G.S. 113A-254	G.S. 143B-135.238
G.S. 113A-255	G.S. 143B-135.240
G.S. 113A-256	G.S. 143B-135.242
G.S. 113A-257	G.S. 143B-135.244
G.S. 113A-258	G.S. 143B-135.246
G.S. 113A-259	G.S. 143B-135.248

SECTION 14.30.(k2) Article 9A of Chapter 113A of the General Statutes is recodified as Part 42 of Article 2 of Chapter 143B of the General Statutes as set forth in the table below:

<u>Former Citation</u>	<u>Recodified Citation</u>
Article 9A:	Part 42:
G.S. 113A-164.1	G.S. 143B-135.250
G.S. 113A-164.2	G.S. 143B-135.252
G.S. 113A-164.3	G.S. 143B-135.254
G.S. 113A-164.4	G.S. 143B-135.256
G.S. 113A-164.5	G.S. 143B-135.258
G.S. 113A-164.6	G.S. 143B-135.260
G.S. 113A-164.7	G.S. 143B-135.262
G.S. 113A-164.8	G.S. 143B-135.264
G.S. 113A-164.9	G.S. 143B-135.266
G.S. 113A-164.10	G.S. 143B-135.268
G.S. 113A-164.11	G.S. 143B-135.270
G.S. 113A-164.12	G.S. 143B-135.272

REVISIONS OF RECODIFIED STATUTES

SECTION 14.30.(l) Parts 31 and 32 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (e) of this section, reads as rewritten:

"Part 31. Acquisition and Control of State Parks.

"§ 143B-135.10. Definitions.

(a) In this ~~Article, Part~~, unless the context requires otherwise, "Department" means the Department of ~~Environment and Natural Resources; Natural and Cultural Resources~~, and "Secretary" means the Secretary of ~~Environment and Natural Resources; Natural and Cultural Resources~~.

(b) ~~Repealed by Session Laws 2011-145, s. 13.25(n), effective July 1, 2011."~~

...

"§ 143B-135.14. Power to acquire conservation lands not included in the State Parks System.

The Department of Administration may acquire and allocate to the Department of ~~Environment and Natural Resources~~ Natural and Cultural Resources for management by the Division of Parks and Recreation lands that the Department of ~~Environment and Natural Resources~~ Natural and Cultural Resources finds are important for conservation purposes but which are not included in the State Parks System. Lands acquired pursuant to this section are not subject to ~~Article 2C of Chapter 113~~ Part 32 of Article 2 of Chapter 143B of the General Statutes and may be traded or transferred as necessary to protect, develop, and manage the Mountains to Sea State Park Trail, other State parks, or other conservation lands. This section does not expand the power granted to the Department of ~~Environment and Natural Resources~~ Natural and Cultural Resources under ~~G.S. 113-34(a)~~ G.S. 143B-135.12(a) to acquire land by condemnation.

"§ 143B-135.16. Control over State parks; operation of public service facilities; concessions to private concerns; authority to charge fees and adopt rules.

(a) The Department shall make reasonable rules governing the use by the public of State parks and State lakes under its charge. These rules shall be posted in conspicuous places on and adjacent to the properties of the State and at the courthouse of the county or counties in which the properties are located. A violation of these rules is punishable as a Class 3 misdemeanor.

~~(a1)~~(b) The Department may adopt rules under which the Secretary may issue a special-use permit authorizing the use of pyrotechnics in State parks in connection with public exhibitions. The rules shall require that experts supervise the use of pyrotechnics and that written authorization for the use of pyrotechnics be obtained from the board of commissioners of the county in which the pyrotechnics are to be used, as provided in G.S. 14-410. The Secretary may impose any conditions on a permit that the Secretary determines to be necessary to protect public health, safety, and welfare. These conditions shall include a requirement that the permittee execute an indemnification agreement with the Department and obtain general liability insurance covering personal injury and property damage that may result from the use of pyrotechnics with policy limits determined by the Secretary.

~~(b)~~(c) The Department may construct, operate, and maintain within the State parks, State lakes, and other areas under its charge suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for each of the following:

- (1) The erection, maintenance, and use of docks, piers, and any other structures permitted in or on State lakes under rules adopted by the Department.
- (2) Fishing privileges in State parks and State lakes, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.
- (3) Vehicle access for off-road driving at the beach at Fort Fisher State Recreation Area.
- (4) The erection, maintenance, and use of a marina at Carolina Beach.

~~(b1)~~(d) Members of the public who pay a fee under subsection ~~(b)~~-(c) of this section for access to Fort Fisher State Recreation Area may have 24-hour access to Fort Fisher State Recreation Area from September 15 through March 15 of each year.

~~(e)~~(e) The Department may make reasonable rules for the operation and use of boats or other craft on the surface of the waters under its charge. The Department may charge and collect reasonable fees for the use of boats and other watercraft that are purchased and maintained by the Department; however, the Department shall not charge a fee for the use or operation of any other boat or watercraft on these waters.

~~(d)~~(f) The Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest. The Department may adopt reasonable rules for the regulation of the use by the public of the lands and waters under its charge and of the public service facilities and conveniences authorized under this section. A violation of these rules is punishable as a Class 3 misdemeanor.

~~(d1)~~(g) The Department shall ~~implement the following recommendations:~~ validate no less frequently than every five years the number of visitors per car used in the calculation of visitor counts at State Parks.

~~(e)~~(h) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"§ 143B-135.18. Legislative authority necessary for payment.

Nothing in this ~~Article-Part~~ shall operate or be construed as authority for the payment of any money out of the State treasury for the purchase of lands or for other purposes unless by appropriation for said purpose by the General Assembly.

...

"Part 32. State Parks Act.

"§ 143B-135.40. Short title.

This ~~Article-Part~~ shall be known as the State Parks Act.

"§ 143B-135.42. Declaration of policy and purpose.

(a) The State of North Carolina offers unique archaeologic, geologic, biological, scenic, and recreational resources. These resources are part of the heritage of the people of this State. The heritage of a people should be preserved and managed by the people for their use and for the use of their visitors and descendants.

(b) The General Assembly finds it appropriate to establish the State Parks System. This system shall consist of parks which include representative examples of the resources sought to be preserved by this ~~Article-Part~~, together with such surrounding lands as may be appropriate. Park lands are to be used by the people of this State and their visitors in order to promote understanding of and pride in the natural heritage of this State.

(c) The tax dollars of the people of the State should be expended in an efficient and effective manner for the purpose of assuring that the State Parks System is adequate to accomplish the goals as defined in this ~~Article-Part~~.

(d) The purpose of this ~~Article-Part~~ is to establish methods and principles for the planned acquisition, development, and operation of State parks.

...

"§ 143B-135.44. Definitions.

As used in this ~~Article-Part~~, unless the context requires otherwise:

- (1) "Department" means the Department of ~~Environment and Natural and Cultural Resources~~.
- (2) "Park" means any tract of land or body of water comprising part of the State Parks System under this ~~Article-Part~~, including existing State parks, State natural areas, State recreation areas, State trails, State rivers, and State lakes.
- (3) "Plan" means State Parks System Plan.
- (4) "Secretary" means the Secretary of ~~Environment and Natural and Cultural Resources~~.
- (5) "State Parks System" or "system" mean all those lands and waters which comprise the parks system of the State as established under this ~~Article-Part~~.

"§ 143B-135.46. Powers of the Secretary.

The Secretary shall implement the provisions of this ~~Article-Part~~ and shall be responsible for the administration of the State Parks System.

"§ 143B-135.48. Preparation of a System Plan.

(a) The Secretary shall prepare and adopt a State Parks System Plan by December 31, 1988. The Plan, at a minimum, shall:

- (1) Outline a method whereby the mission and purposes of the State Parks System as defined in ~~G.S. 113-44.8~~ G.S. 143B-135.42 can be achieved in a reasonable, timely, and cost-effective manner;
- (2) Evaluate existing parks against these standards to determine their statewide significance;
- (3) Identify duplications and deficiencies in the current State Parks System and make recommendations for correction;
- (4) Describe the resources of the existing State Parks System and their current uses, identify conflicts created by those uses, and propose solutions to them; and
- (5) Describe anticipated trends in usage of the State Parks System, detail what impacts these trends may have on the State Parks System, and recommend means and methods to accommodate those trends successfully.

(b) The Plan shall be developed with full public participation, including a series of public meetings held on adequate notice under rules which shall be adopted by the Secretary.

The purpose of the public meetings and other public participation shall be to obtain from the public:

- (1) Views and information on the needs of the public for recreational resources in the State Parks System;
- (2) Views and information on the manner in which these needs should be addressed;
- (3) Review of the draft plan prepared by the Secretary before he adopts the Plan.

(c) The Secretary shall revise the Plan at intervals not exceeding five years. Revisions to the Plan shall be made consistent with and under the rules providing public participation in adoption of the Plan.

(d) No later than October 1 of each year, the Department shall submit electronically the State Parks System Plan to the Environmental Review Commission, the Senate and the House of Representatives ~~Appropriations Subcommittees on Natural and Economic Resources, appropriations committees with jurisdiction over natural and cultural resources,~~ and the Fiscal Research Division. Concurrently, the Department shall submit a summary of each change to the Plan that was made during the previous fiscal year.

"§ 143B-135.50. Classification of parks resources.

After adopting the Plan, the Secretary shall identify and classify the major resources of each of the parks in the State Parks System, in order to establish the major purpose or purposes of each of the parks, consistent with the Plan and the purposes of this ~~Article~~Part.

"§ 143B-135.52. General management plans.

Every park classified pursuant to ~~G.S. 113-44.12~~ G.S. 143B-135.50 shall have a general management plan. The plan shall include a statement of purpose for the park based upon its relationship to the System Plan and its classification. An analysis of the major resources and facilities on hand to achieve those purposes shall be completed along with a statement of management direction. The general management plan shall be revised as necessary to comply with the System Plan and to achieve the purposes of this ~~Article~~Part.

"§ 143B-135.54. Additions to and deletions from the State Parks System.

(a) If, in the course of implementing ~~G.S. 113-44.12~~ G.S. 143B-135.50 the Secretary determines that the major purposes of a park are not consistent with the purposes of this ~~Article~~Part and the Plan, the Secretary may propose to the General Assembly the deletion of that park from the State Parks System. On a majority vote of each house of the General Assembly, the General Assembly may remove the park from the State Parks System. No other agency or governmental body of the State shall have the power to remove a park or any part from the State Parks System.

(b) New parks shall be added to the State Parks System by the Department after authorization by the General Assembly. Each additional park shall be authorized only by an act of the General Assembly. Additions shall be consistent with and shall address the needs of the State Parks System as described in the Plan. All additions shall be accompanied by adequate authorization and appropriations for land acquisition, development, and operations.

"§ 143B-135.56. Parks and Recreation Trust Fund.

...
(c) Reports. – The North Carolina Parks and Recreation Authority shall report no later than October 1 of each year to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Fiscal Research Division, and the Environmental Review Commission on allocations from the Trust Fund from the prior fiscal year. For funds allocated from the Trust Fund under ~~subdivision~~subsection (b1) of this section, this report shall include the operating expenses determined under subdivisions (1) and (2) of subsection (b3) of this section.
...."

SECTION 14.30.(m) Parts 33 through 36 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (f) of this section, read as rewritten:

"Part 33. North Carolina Appalachian Trails System Act.

"§ 143B-135.70. Short title.

This ~~Article~~Part may be cited as the North Carolina Appalachian Trails System Act.

"§ 143B-135.72. Policy and purpose.

(a) In order to provide for the ever-increasing outdoor recreation needs of an expanded population and in order to promote public access to, travel within, and enjoyment and

appreciation of the open-air, outdoor areas of the State, the Appalachian Trail should be protected in North Carolina as a segment of the National Scenic Trails System.

(b) The purpose of this ~~Article-Part~~ is to provide the means for attaining these objectives by instituting a North Carolina Appalachian Trail System, designating the Appalachian Trail lying or located in the North Carolina Counties of Avery, Mitchell, Yancey, Madison, Haywood, Swain, Graham, Macon, and Clay, as defined in the Federal Register of the National Trails Act as the basic component of that System, and by prescribing the methods by which, and standards according to which, additional connecting trails may be added to the System.

"§ 143B-135.74. Appalachian Trails System; connecting or side trails; coordination with the National Trails System Act.

Connecting or side trails may be established, designated and marked as components of the Appalachian Trail System by the Department of ~~Environment and Natural~~ and Cultural Resources in consultation with the federal agencies charged with the responsibility for the administration and management of the Appalachian Trail in North Carolina. Criteria and standards of establishment will coincide with those set forth in the National Trails System Act (PL 90-543).

"§ 143B-135.76. Assistance under this ~~Article-Part~~ with the National Trails System Act (PL 90-543).

(a) The Department of Administration in cooperation with other appropriate State departments shall consult with the federal agencies charged with the administration of the Appalachian Trail in North Carolina and develop a mutually agreeable plan for the orderly and coordinated acquisition of Appalachian Trail right-of-way and the associated tracts, as needed, to provide a suitable environment for the Appalachian Trail in North Carolina.

(b) The Department of ~~Environment and Natural~~ and Cultural Resources and the federal agencies charged with the responsibility of the administration of the Appalachian Trail in North Carolina shall give due consideration to the conservation of the environment of the Appalachian Trail and, in accordance with the National Trails System Act, may obtain advice and assistance from local governments, Carolina Mountain Club, Nantahala Hiking Club, Piedmont Appalachian Trail Hikers, Appalachian Trail Conference, other interested organizations and individuals, landowners and land users concerned.

(c) The Board of Transportation shall cooperate and assist in carrying out the purposes of this ~~Article-Part~~ and the National Trails System Act where their highway projects cross or may be adjacent to any component of the Appalachian Trail System.

(d) Lands acquired by the State of North Carolina within the 200-foot right-of-way of the Appalachian Trail and within the exterior boundaries of the Pisgah or Nantahala National Forests, will be conveyed to the United States Forest Service as the federal agency charged with the responsibility for the administration and management of the Appalachian Trail within these specific areas.

(e) Lands acquired by the State of North Carolina outside of the boundaries of the Appalachian Trail right-of-way will be administered by the appropriate State department in such a manner as to preserve and enhance the environment of the Appalachian Trail.

(f) In consultation with the Department of ~~Environment and Natural~~ and Cultural Resources, the federal agency charged with the responsibility of the administration of the Appalachian Trail in North Carolina shall establish use regulations in accordance with the National Trails System Act.

(g) The use of motor vehicles on the trails of the North Carolina Appalachian Trail System may be authorized when such use is necessary to meet emergencies or to enable adjacent landowners to have reasonable access to their lands and timber rights provided that the granting of this access is in accordance with limitations and conditions of such use set forth in the National Trails System Act.

"§ 143B-135.78. Acquisition of rights-of-way and lands; manner of acquiring.

The State of North Carolina may use lands for trail purposes within the boundaries of areas under its administration that are included in the rights-of-way selected for the Appalachian Trail System. The Department of Administration may acquire lands or easements by donation or purchase with funds donated or appropriated for such purpose.

"§ 143B-135.80. Expenditures authorized.

The Department is authorized to spend any federal, State, local or private funds available for this purpose to the Department for acquisition and development of the Appalachian Trail System.

"Part 34. North Carolina Trails System.

"§ 143B-135.90. Short title.

This ~~Article-Part~~ shall be known and may be cited as the "North Carolina Trails System Act."

"§ 143B-135.92. Declaration of policy and purpose.

(a) In order to provide for the ever-increasing outdoor recreation needs of an expanded population and in order to promote public access to, travel within, and enjoyment and appreciation of the outdoor, natural and remote areas of the State, trails should be established in natural, scenic areas of the State, and in and near urban areas.

(b) The purpose of this ~~Article-Part~~ is to provide the means for attaining these objectives by instituting a State system of scenic and recreation trails, coordinated with and complemented by existing and future local trail segments or systems, and by prescribing the methods by which, and standards according to which, components may be added to the State trails system.

"§ 143B-135.94. Definitions.

Except as otherwise required by context, the following terms when used in this ~~Article-Part~~ shall be construed respectively to mean:

- (1) "Department" means the North Carolina Department of ~~Environment and~~ Natural and Cultural Resources.
- (2) "Political subdivision" means any county, any incorporated city or town, or other political subdivision.
- (3) "Scenic easement" means a perpetual easement in land which
 - a. Is held for the benefit of the people of North Carolina,
 - b. Is specifically enforceable by its holder or beneficiary, and
 - c. Limits or obligates the holder of the servient estate, his heirs, and assigns with respect to their use and management of land and activities conducted thereon, the object of such limitations and obligations being the maintenance or enhancement of the natural beauty of the land in question or of areas affected by it.
- (4) "Secretary" means the Secretary of ~~Environment and~~ Natural and Cultural Resources, except as otherwise specified in this ~~Article-Part~~.
- (5) "State trails system" means the trails system established in this ~~Article-Part~~ or pursuant to the State Parks Act, ~~Article 2C of Chapter 113 of the General Statutes, Part 32 of this Article~~, and including all trails and trail segments, together with their rights-of-way, added by any of the procedures described in this ~~Article or Article 2C of Chapter 113 of the General Statutes. Part or Part 32 of this Article~~.
- (6) "Trail" means:
 - a. Park trail. – A trail designated and managed as a unit of the North Carolina State Parks System under ~~Article 2C of Chapter 113 of the General Statutes. Part 32 of this Article~~.
 - b. Designated trail. – A trail designated by the Secretary pursuant to this ~~Article-Part~~ as a component of the State trails system and that is managed by another governmental agency or by a corporation listed with the Secretary of State.
 - c. A State scenic trail, State recreation trail, or State connecting trail under ~~G.S. 113A-86 G.S. 143B-135.96~~ when the intended primary use of the trail is to serve as a park trail or designated trail.
 - d. Any other trail that is open to the public and that the owner, lessee, occupant, or person otherwise in control of the land on which the trail is located allows to be used as a trail without compensation, including a trail that is not designated by the Secretary as a component of the State trails system.
- (7) "Trails Committee" means the North Carolina Trails Committee established by Part 35 of this Article.

"§ 143B-135.96. Composition of State trails system.

The State trails system shall be composed of designated:

- (1) State scenic trails, which are defined as extended trails so located as to provide maximum potential for the appreciation of natural areas and for the conservation and enjoyment of the significant scenic, historic, natural, ecological, geological or cultural qualities of the areas through which such trails may pass.
- (2) State recreation trails, which are defined as trails planned principally for recreational value and may include trails for foot travel, horseback, nonmotorized bicycles, nonmotorized water vehicles, and two-wheel-and four-wheel-drive motorized vehicles. More than one of the aforesaid types of travel may be permitted on a single trail in the discretion of the Secretary.
- (3) Connecting or side trails, which will provide additional points of public access to State recreation or State scenic trails or which will provide connections between such trails.

"§ 143B-135.98. Authority to designate trails.

The Department may establish and designate trails on:

- (1) Lands administered by the Department,
- (2) Lands under the jurisdiction of a State department, political subdivision, or federal agency, or
- (3) Private lands provided, fee-simple title, lesser estates, scenic easements, easements of surface ingress and egress running with the land, leases, or other written agreements are obtained from landowners through which a State trail may pass.

"§ 143B-135.100. Use of State land for bicycling; creation of trails by volunteers.

(a) Any land held in fee simple by this State, any agency of this State, or any land purchased or leased with funds provided by this State may be open and available for use by bicyclists upon establishment of a usage agreement. The usage agreement shall be established between the land manager and any local cycling group or organization intending to use the land and shall specify the terms and conditions for use of the land. The land manager shall designate a representative with knowledge of off-road bicycle trail building to negotiate the agreement. Upon establishment of the usage agreement, any bicyclist may use the land pursuant to the agreement.

The land manager shall not be required to create, maintain, or make available any special trails, paths, or other accommodations to any user of the land for cycling purposes. However, once a usage agreement has been established, any local cycling group or organization may create and maintain special trails for cycling purposes. Any trails created for the purpose of off-road cycling shall be created and maintained using commonly accepted best practices.

(b) Notwithstanding the provisions of subsection (a) of this section, any land may be restricted or removed from use by bicyclists if it is determined by the State, an agency of the State, or the holder of land purchased or leased with State funds that the use would cause substantial harm to the land or the environment or that the use would violate another State or federal law. Before restricting or removing land from use by bicyclists, the State, the agency of the State, or the holder of the land purchased or leased with State funds must show why the lands should not be open for use by bicyclists. Local cycling groups or organizations shall be notified of the intent to restrict or remove the land from use by bicyclists and provided an opportunity to show why cycling should be allowed on the land. Notice of any land restricted or removed from use by bicyclists pursuant to this subsection shall be filed with the Division of Bicycle and Pedestrian Transportation of the Department of Transportation.

(c) The Division of Bicycle and Pedestrian Transportation of the Department of Transportation shall keep a record of all lands made open and available for use by bicyclists pursuant to this section and shall make the information available to the public upon request.

(d) Any land open and available for use by bicyclists, pursuant to subsection (a) of this section, shall also be available to members of the public for hiking and walking. Persons using the land pursuant to this subsection shall yield the right-of-way to bicyclists when hiking or walking on any trails created and maintained for the purpose of off-road cycling and so designated along that trail.

(e) Notwithstanding any other provision of this section, any hiking, walking, or use of bicycles on game lands administered by the Wildlife Resources Commission shall be restricted to roads and trails designated for vehicular use. Hiking, walking, or bicycle use by persons not

hunting shall be restricted to days closed to hunting. The Wildlife Resources Commission may restrict the use of bicycles on game lands where necessary to protect sensitive wildlife habitat or species and shall file notice of any restrictions with the Division of Bicycle and Pedestrian Transportation of the Department of Transportation.

"§ 143B-135.102. ~~North Carolina Trails Committee; composition; meetings and functions.~~ Trails Committee duties.

(a) ~~Repealed by Session Laws 1973, c. 1262, s. 82.~~

~~(b)~~(a) The Committee shall meet in various sections of the State not less than two times annually to advise the Department on all matters directly or indirectly pertaining to trails, their use, extent, location, and the other objectives and purposes of this ~~Article.~~ Part.

~~(c)~~(b) The Committee shall coordinate trail development among local governments, and shall assist local governments in the formation of their trail plans and advise the Department quarterly of its findings.

~~(d)~~(c) The Secretary, with advice of the Committee, shall study trail needs and potentials, and make additions to the State Trails System as needed. He shall submit an annual report to the Governor and General Assembly on trail activities by the Department, including rights-of-way that have been established and on the program for implementing this ~~Article.~~ Part. Each report shall include a short statement on the significance of the various trails to the System. The Secretary shall make such rules as to trail development, management, and use that are necessary for the proper implementation of this ~~Article.~~ Part.

"§ 143B-135.104. Location of trails.

The process of locating routes of designated trails to be added to the system shall be as follows:

For State scenic trails, the Secretary or a designee, after consulting with the Committee, shall recommend a route. For State recreation trails and for connecting or side trails, the Secretary or a designee, after consulting with the Committee, shall select the route. The Secretary may provide technical assistance to political subdivisions or private, nonprofit organizations that develop, construct, or maintain designated trails or other public trails that complement the State trails system. When a route shall traverse land within the jurisdiction of a governmental unit or political subdivision, the Department shall consult with such unit or such subdivision prior to its final determination of the location of the route. The selected route shall be compatible with preservation or enhancement of the environment it traverses. Reasonable effort shall be made to minimize any adverse effects upon adjacent landowners and users. Notice of the selected route shall be published by the Department in a newspaper of general circulation in the area in which the trail is located, together with appropriate maps and descriptions to be conspicuously posted at the appropriate courthouse. Such publication shall be prior to the designation of the trail by the Secretary.

"§ 143B-135.106. Scenic easements within right-of-way.

Within the boundaries of the right-of-way, the Secretary of the North Carolina Department of Administration may acquire, on behalf of the State of North Carolina, lands in fee title, or interest in land in the form of scenic easements, cooperative agreements, easements of surface ingress and egress running with the land, leases, or less than fee estates. Acquisition of land or of interest therein may be by gift, purchased with donated funds or funds appropriated by the governmental agencies for this purpose, proceeds from the sale of bonds or exchange. Any change in value of land resulting from the grant of an easement shall be taken into consideration in the assessment of the land for tax purposes.

"§ 143B-135.108. Trails within parks; conflict of laws.

Any component of the System that is or shall become a part of any State park, recreation area, wildlife management area, or similar area shall be subject to the provisions of this ~~Article~~ Part as well as any other laws under which the other areas are administered, and in the case of conflict between the provisions the more restrictive provisions shall apply.

"§ 143B-135.110. Uniform trail markers.

The Department, in consultation with the Committee, shall establish a uniform marker for trails contained in the System. An additional appropriate symbol characterizing specific trails may be included on the marker. The markers shall be placed at all access points, together with signs indicating the modes of locomotion that are prohibited for the trail, provided that where the trail constitutes a portion of a national scenic trail, use of the national scenic trail uniform marker shall be considered sufficient. The route of the trail and the boundaries of the right-of-way shall be adequately marked.

"§ 143B-135.112. Adopt-A-Trail Program.

The Department shall establish an Adopt-A-Trail Program to coordinate with the Trails Committee and local groups or persons on trail development and maintenance. Local involvement shall be encouraged, and interested groups are authorized to "adopt-a-trail" for such purposes as placing trail markers, trail building, trail blazing, litter control, resource protection, and any other activities related to the policies and purposes of this ~~Article-Part~~.

"§ 143B-135.114. Administrative policy.

The North Carolina Trails System shall be administered by the Department according to the policies and criteria set forth in this ~~Article-Part~~. The Department shall, in addition, have or designate the responsibility for maintaining the trails, building bridges, campsites, shelters, and related public-use facilities where required.

"§ 143B-135.116. Incorporation in National Trails System.

Nothing in this ~~Article-Part~~ shall preclude a component of the State Trails System from becoming a part of the National Trails System. The Secretary shall coordinate the State Trails System with the National Trails System and is directed to encourage and assist any federal studies for inclusion of North Carolina trails in the National Trails System. The Department may enter into written cooperative agreements for joint federal-State administration of a North Carolina component of the National Trails System, provided such agreements for administration of land uses are not less restrictive than those set forth in this ~~Article-Part~~.

"§ 143B-135.118. Trail use liability.

(a) Any person, as an owner, lessee, occupant, or otherwise in control of land, who allows without compensation another person to use the land for designated trail or other public trail purposes or to construct, maintain, or cause to be constructed or maintained a designated trail or other public trail owes the person the same duty of care he owes a trespasser.

(b) Any person who without compensation has constructed, maintained, or caused to be constructed or maintained a designated trail or other public trail pursuant to a written agreement with any person who is an owner, lessee, occupant, or otherwise in control of land on which a trail is located shall owe a person using the trail the same duty of care owed a trespasser.

(c) ~~Repealed by Session Laws 1993, c. 184, s. 6.~~

~~"Part 35. North Carolina Trails Committee.~~

"§ 143B-135.130. North Carolina Trails Committee – creation; powers and duties.

There is hereby created the North Carolina Trails Committee of the Department of ~~Environment and Natural~~ and Cultural Resources. The Committee shall have the following functions and duties:

- (1) To meet not less than two times annually to advise the Department on all matters directly or indirectly pertaining to trails, their use, extent, location, and the other objectives and purposes of ~~G.S. 113A-88.G.S. 143B-135.102.~~
- (2) To coordinate trail development among local governments, and to assist local governments in the formation of their trail plans and advise the Department of its findings.
- (3) To advise the Secretary of trail needs and potentials pursuant to ~~G.S. 113A-88.G.S. 143B-135.102.~~

"§ 143B-135.132. North Carolina Trails Committee – members; selection; removal; compensation.

The North Carolina Trails Committee shall consist of seven members appointed by the Secretary of ~~Environment and Natural~~ and Cultural Resources. Two members shall be from the mountain section, two from the Piedmont section, two from the coastal plain, and one at large. They shall as much as possible represent various trail users.

~~The initial members of the North Carolina Trails Committee shall be the members of the current North Carolina Trails Committee who shall serve for a period equal to the remainder of their current term on the North Carolina Trails Committee. At the end of the respective terms of office of the initial members of the Committee, the appointment of their successors shall be for Committee members shall serve staggered terms of four years and until their successors are appointed and qualify. Any appointment to fill a vacancy on the Committee 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 Committee from office in accordance with the provisions of G.S. 143B-16 of the Executive Organization Act of 1973.

The Secretary of ~~Environment and~~ Natural and Cultural Resources shall designate a member of the Committee to serve as chairman at the pleasure of the Governor.

Members of the Committee shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5 and G.S. 143B-15 of the Executive Organization Act of 1973.

"Part 36. Natural and Scenic Rivers System.

"§ 143B-135.140. Short title.

This ~~Article-Part~~ shall be known and may be cited as the "Natural and Scenic Rivers Act of 1971."

"§ 143B-135.142. Declaration of policy.

The General Assembly finds that certain rivers of North Carolina possess outstanding natural, scenic, educational, geological, recreational, historic, fish and wildlife, scientific and cultural values of great present and future benefit to the people. The General Assembly further finds as policy the necessity for a rational balance between the conduct of man and the preservation of the natural beauty along the many rivers of the State. This policy includes retaining the natural and scenic conditions in some of the State's valuable rivers by maintaining them in a free-flowing state and to protect their water quality and adjacent lands by retaining these natural and scenic conditions. It is further declared that the preservation of certain rivers or segments of rivers in their natural and scenic condition constitutes a beneficial public purpose.

"§ 143B-135.144. Declaration of purpose.

The purpose of this ~~Article-Part~~ is to implement the policy as set out in ~~G.S. 113A-31~~ G.S. 143B-135.142 by instituting a North Carolina natural and scenic rivers system, and by prescribing methods for inclusion of components to the system from time to time.

"§ 143B-135.146. Definitions.

As used in this ~~Article-Part~~, unless the context requires otherwise:

- (1) "Department" means the Department of ~~Environment and~~ Natural and Cultural Resources.
- (2) "Free-flowing," as applied to any river or section of a river, means existing or flowing in natural condition without substantial impoundment, diversion, straightening, rip-rapping, or other modification of the waterway. The existence of low dams, diversion works, and other minor structures at the time any river is proposed for inclusion in the North Carolina natural and scenic rivers system shall not automatically bar its consideration for such inclusion: Provided, that this shall not be construed to authorize, intend, or encourage future construction of such structures within components of the system.
- (3) "River" means a flowing body of water or estuary or a section, portion, or tributary thereof, including rivers, streams, creeks, runs, kills, rills, and small lakes.
- (4) "Road" means public or private highway, hard-surface road, dirt road, or railroad.
- (5) "Scenic easement" means a perpetual easement in land which (i) is held for the benefit of the people of North Carolina, (ii) is specifically enforceable by its holder or beneficiary, and (iii) limits or obligates the holder of the servient estate, his heirs, and assigns with respect to their use and management of the land and activities conducted thereon. The object of such limitations and obligations is the maintenance or enhancement of the natural beauty of the land in question or of the areas affected by it.
- (6) "Secretary" means the Secretary of ~~Environment and~~ Natural and Cultural Resources.

"§ 143B-135.148. Types of scenic rivers.

The following types of rivers are eligible for inclusion in the North Carolina natural and scenic rivers system:

Class I. Natural river areas. Those free-flowing rivers or segments of rivers and adjacent lands existing in a natural condition. Those rivers or segments of rivers that are free of man-made impoundments and generally inaccessible except by trail, with the lands within the boundaries essentially primitive and the waters essentially unpolluted. These represent vestiges of primitive America.

Class II. Scenic river areas. Those rivers or segments of rivers that are largely free of impoundments, with the lands within the boundaries largely primitive and largely undeveloped, but accessible in places by roads.

Class III. Recreational river areas. Those rivers or segments of rivers that offer outstanding recreation and scenic values and that are largely free of impoundments. They may have some development along their shorelines and have more extensive public access than natural or scenic river segments. Recreational river segments may also link two or more natural and/or scenic river segments to provide a contiguous designated river area. No provision of this section shall interfere with flood control measures; provided that recreational river users can continue to travel the river.

"§ 143B-135.150. Criteria for system.

For the inclusion of any river or segment of river in the natural and scenic river system, the following criteria must be present:

- (1) River segment length – must be no less than one mile.
- (2) Boundaries – of the system shall be the visual horizon or such distance from each shoreline as may be determined to be necessary by the Secretary, but shall not be less than 20 feet.
- (3) Water quality – shall not be less than that required for Class "C" waters as established by the North Carolina Environmental Management Commission.
- (4) Water flow – shall be sufficient to assure a continuous flow and shall not be subjected to withdrawal or regulation to the extent of substantially altering the natural ecology of the stream.
- (5) Public access – shall be limited, but may be permitted to the extent deemed proper by the Secretary, and in keeping with the property interest acquired by the Department and the purpose of this ~~Article~~ Part.

"§ 143B-135.152. Components of system; management plan; acquisition of land and easements; inclusion in national system.

~~(a)~~ That segment of the south fork of the New River extending from its confluence with Dog Creek in Ashe County downstream through Ashe and Alleghany Counties to its confluence with the north fork of the New River and the main fork of the New River in Ashe and Alleghany Counties downstream to the Virginia State line shall be a scenic river area and shall be included in the North Carolina Natural and Scenic Rivers System.

The Department shall prepare and implement a management plan for this river section. This management plan shall recognize and provide for the protection of the existing undeveloped scenic and pastoral features of the river. Furthermore, it shall specifically provide for continued use of the lands adjacent to the river for normal agricultural activities, including, but not limited to, cultivation of crops, raising of cattle, growing of trees and other practices necessary to these agricultural pursuits.

For purposes of implementing this section and the management plan, the Department may acquire lands or interests in lands, provide for protection of scenic values as described in ~~G.S. 113A-38~~, G.S. 143B-135.160, and provide for public access. Easements obtained for the purpose of implementing this section and the management plan shall not abridge the water rights being exercised on May 26, 1975.

Should the Governor seek inclusion of this river segment in the National System of Wild and Scenic Rivers by action of the Secretary of Interior, such inclusion shall be at no cost to the federal government, as prescribed in the National Wild and Scenic Rivers Act, and therefore shall be under the terms described in this section of the North Carolina Wild and Scenic Rivers Act and in the management plan developed pursuant thereto.

~~(b) Repealed by Session Laws 2012-200, s. 24, effective August 1, 2012.~~

"§ 143B-135.154. Additional components.

That segment of the Linville River beginning at the State Highway 183 bridge over the Linville River and extending approximately 13 miles downstream to the boundary between the United States Forest Service lands and lands of Duke Power Company (latitude 35° 50' 20") shall be a natural river area and shall be included in the North Carolina Natural and Scenic River System.

That segment of the Horsepasture River in Transylvania County extending downstream from Bohaynee Road (N.C. 281) to Lake Jocassee shall be a natural river and shall be included in the North Carolina Natural and Scenic Rivers System.

That segment of the Lumber River extending from county road 1412 in Scotland County downstream to the North Carolina-South Carolina state line, a distance of approximately 102 river miles, shall be included in the Natural and Scenic Rivers System and classified as follows: from county road 1412 in Scotland County downstream to the junction of the Lumber River and Back Swamp shall be classified as scenic; from the junction of the Lumber River and Back Swamp downstream to the junction of the Lumber River and Jacob Branch and the river within the Fair Bluff town limits shall be classified as recreational; and from the junction of the Lumber River and Jacob Branch downstream to the North Carolina-South Carolina state line, excepting the Fair Bluff town limits, shall be classified as natural.

"§ 143B-135.156. Administrative agency; federal grants; additions to the system; regulations.

(a) The Department is the agency of the State of North Carolina with the duties and responsibilities to administer and control the North Carolina natural and scenic rivers system.

(b) The Department shall be the agency of the State with the authority to accept federal grants of assistance in planning, developing (which would include the acquisition of land or an interest in land), and administering the natural and scenic rivers system.

(c) The Secretary of the Department shall study and from time to time submit to the Governor and to the General Assembly proposals for the additions to the system of rivers and segments of rivers which, in his judgment, fall within one or more of the categories set out in ~~G.S. 113A-34~~, G.S. 143B-135.148. Each proposal shall specify the category of the proposed addition and shall be accompanied by a detailed report of the facts which, in the Secretary's judgment, makes the area a worthy addition to the system.

Before submitting any proposal to the Governor or the General Assembly for the addition to the system of a river or segment of a river, the Secretary or his authorized representative, shall hold a public hearing in the county or counties where said river or segment of river is situated. Notice of such public hearing shall be given by publishing a notice once each week for two consecutive weeks in a newspaper having general circulation in the county where said hearing is to be held, the second of said notices appearing not less than 10 days before said hearing. Any person attending said hearing shall be given an opportunity to be heard. Notwithstanding the provisions of the foregoing, no public hearing shall be required with respect to a river bounded solely by the property of one owner, who consents in writing to the addition of such river to the system.

The Department shall also conduct an investigation on the feasibility of the inclusion of a river or a segment of river within the system and file a written report with the Governor when submitting a proposal.

The Department shall also, before submitting such a proposal to the Governor or the General Assembly, notify in writing the owner, lessee, or tenant of any lands adjoining said river or segment of river of its intention to make such proposal. In the event the Department, after due diligence, is unable to determine the owner or lessee of any such land, the Department may publish a notice for four successive weeks in a newspaper having general circulation in the county where the land is situated of its intention to make a proposal to the Governor or General Assembly for the addition of a river or segment of river to the system.

~~(c)~~(d) Upon receipt of a request in the form of a resolution from the commissioners of the county or counties in which a river segment is located and upon studying the segment and determining that it meets the criteria set forth in ~~G.S. 113A-35~~, G.S. 143B-135.150, the Secretary may designate the segment a potential component of the natural and scenic rivers system. The designation as a potential component shall be transmitted to the Governor and all appropriate State agencies. Any segment so designated is subject to the provisions of this ~~Article-Part~~ applicable to designated rivers, except for acquisition by condemnation or otherwise, and to any rules adopted pursuant to this ~~Article-Part~~. The Secretary shall make a full report and, if appropriate, a proposal for an addition to the natural and scenic rivers system to the General Assembly within 90 days after the convening of the next session following issuance of the designation, and the General Assembly shall determine whether to designate the segment as a component of the natural and scenic rivers system. If the next session of the General Assembly fails to take affirmative action on the designation, the designation as a potential component shall expire.

~~(d)~~(e) The Department may adopt rules to implement this ~~Article-Part~~.
"§ 143B-135.158. Raising the status of an area.

Whenever in the judgment of the Secretary of the Department a scenic river segment has been sufficiently restored and enhanced in its natural scenic and recreational qualities, such segment may be reclassified with the approval of the Department, to a natural river area status and thereafter administered accordingly.

"§ 143B-135.160. Land acquisition.

(a) The Department of Administration is authorized to acquire for the Department, within the boundaries of a river or segment of river as set out in ~~G.S. 113A-35~~ G.S. 143B-135.150 on behalf of the State of North Carolina, lands in fee title or a lesser interest in land, preferably "scenic easements." Acquisition of land or interest therein may be by donation, purchase with donated or appropriated funds, exchange or otherwise.

(b) The Department of Administration in acquiring real property or a property interest therein as set out in this ~~Article-Part~~ shall have and may exercise the power of eminent domain in accordance with Article 3 of Chapter 40A of the General Statutes.

"§ 143B-135.162. Claim and allowance of charitable deduction for contribution or gift of easement.

The contribution or donation of a "scenic easement," right-of-way or any other easement or interest in land to the State of North Carolina, as provided in this ~~Article-Part~~, shall be deemed a contribution to the State of North Carolina within the provisions of G.S. 105-130.9 and section 170(c)(1) of the Internal Revenue Code. The value of the contribution or donation shall be the fair market value of the easement or other interest in land when the contribution or donation is made.

"§ 143B-135.164. Component as part of State park, wildlife refuge, etc.

Any component of the State natural and scenic rivers system that is or shall become a part of any State park, wildlife refuge, or state-owned area shall be subject to the provisions of this ~~Article-Part~~ and the ~~Articles-laws~~ under which the other areas may be administered, and in the case of conflict between the provisions of these ~~Articles-laws~~, the more restrictive provisions shall apply.

"§ 143B-135.166. Component as part of national wild and scenic river system.

Nothing in this ~~Article-Part~~ shall preclude a river or segment of a river from becoming part of the national wild and scenic river system. The Secretary ~~of the Department~~ is directed to encourage and assist any federal studies for the inclusion of North Carolina rivers in the national system. The Secretary may enter into cooperative agreements for joint federal-state administration of a North Carolina river or segment of river: Provided, that such agreements relating to water and land use are not less restrictive than the requirements of this ~~Article-Part~~.

"§ 143B-135.168. Violations.

(a) Civil Action. – Whoever violates, fails, neglects or refuses to obey any provision of this ~~Article-Part~~ or rule or order of the Secretary may be compelled to comply with or obey the same by injunction, mandamus, or other appropriate remedy.

(b) Penalties. – Whoever violates, fails, neglects or refuses to obey any provision of this ~~Article-Part~~ or rule or order of the Secretary is guilty of a Class 3 misdemeanor and may be punished only by a fine of not more than fifty dollars (\$50.00) for each violation, and each day such person shall fail to comply, where feasible, after having been officially notified by the Department shall constitute a separate offense subject to the foregoing penalty.

"§ 143B-135.170. Authorization of advances.

The Department of Administration is hereby authorized to advance from land-purchase appropriations necessary amounts for the purchase of land in those cases where reimbursement will be later effected by the Bureau of Outdoor Recreation of the United States Department of the Interior.

"§ 143B-135.172. Restrictions on project works on natural or scenic river.

The State Utilities Commission may not permit the construction of any dam, water conduit, reservoir, powerhouse transmission line, or any other project works on or directly affecting any river that is designated as a component or potential component of the State Natural and Scenic Rivers System. No department or agency of the State may assist by loan, grant, license, permit, or otherwise in the construction of any water resources project that would have a direct and adverse effect on any river that is designated as a component or potential component of the State Natural and Scenic Rivers System. This section shall not, however, preclude licensing of or assistance to a development below or above a designated or potential component. No department or agency of the State may recommend authorization of any water resources project that would have a direct and adverse effect on any river that is designated as a component or

potential component of the State Natural and Scenic Rivers System, or request appropriations to begin construction of any such project, regardless of when authorized, without advising the Secretary in writing of its intention to do so at least 60 days in advance. Such department or agency making such recommendation or request shall submit a written impact statement to the General Assembly to accompany the recommendation or request specifically describing how construction of the project would be in conflict with the purposes of this act and how it would affect the component or potential component."

SECTION 14.30.(n) Part 37 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (g) of this section, reads as rewritten:

"Part 37. Division of North Carolina Aquariums.

"§ 143B-135.180. Division of North Carolina Aquariums – creation.

The Division of North Carolina Aquariums is created in the Department of ~~Environment and Natural and Cultural Resources~~.

"§ 143B-135.182. Division of North Carolina Aquariums – organization; powers and duties.

(a) The Division of North Carolina Aquariums shall be organized as prescribed by the Secretary of ~~Environment and Natural and Cultural Resources~~ and shall exercise the following powers and duties:

~~(1)~~ ~~Repealed by Session Laws 1991, c. 320, s. 3.~~

~~(1a)~~(1) Establish and maintain the North Carolina Aquariums.

~~(1b)~~(2) Administer the operations of the North Carolina Aquariums, such administrative duties to include, but not be limited to the following:

- a. Adopt goals and objectives for the Aquariums and review and revise these goals and objectives periodically.
- b. Review and approve requests for use of the Aquarium facilities and advise the Secretary of ~~Environment and Natural and Cultural Resources~~ on the most appropriate use consistent with the goals and objectives of the Aquariums.
- c. Continually review and evaluate the types of projects and programs being carried out in the Aquarium facilities and determine if the operation of the facilities is in compliance with the established goals and objectives.
- d. Recommend to the Secretary of ~~Environment and Natural and Cultural Resources~~ any policies and procedures needed to assure effective staff performance and proper liaison among Aquarium facilities in carrying out the overall purposes of the Aquarium programs.
- e. Review Aquarium budget submissions to the Secretary of Environment and Natural Resources.
- f. Recruit and recommend to the Secretary of ~~Environment and Natural and Cultural Resources~~ candidates for the positions of directors of the Aquariums.
- g. Create local advisory committees in accordance with the provisions of ~~G.S. 143B-289.43~~. G.S. 143B-135.186.

~~(1e)~~(3) Notwithstanding Article 3A of Chapter 143 of the General Statutes, and G.S. 143-49(4), dispose of any exhibit, exhibit component, or object from the collections of the North Carolina Aquariums by sale, lease, or trade. A sale, lease, or trade under this subdivision shall be conducted in accordance with generally accepted practices for zoos and aquariums that are accredited by the American Association of Zoos and Aquariums. After deducting the expenses attributable to the sale or lease, the net proceeds of any sale or lease shall be credited to the North Carolina Aquariums Fund.

~~(2)~~, ~~(3)~~ ~~Repealed by Session Laws 1993, c. 321, s. 28(e).~~

~~(4)~~ ~~through (6)~~ ~~Repealed by Session Laws 1991, c. 320, s. 3.~~

~~(7)~~ Assume any other powers and duties assigned to it by the Secretary.

(b) The Secretary may adopt any rules and procedures necessary to implement this section.

"§ 143B-135.184. North Carolina Aquariums; purpose.

The purpose of establishing and maintaining the North Carolina Aquariums is to promote an awareness, understanding, and appreciation of the diverse natural and cultural resources associated with North Carolina's oceans, estuaries, rivers, streams, and other aquatic environments.

"§ 143B-135.186. Local advisory committees; duties; membership.

Local advisory committees created pursuant to ~~G.S. 143B-289.41(a)(1b)~~ G.S. 143B-135.182(a)(2) shall assist each North Carolina Aquarium in its efforts to establish projects and programs and to assure adequate citizen-consumer input into those efforts. Members of these committees shall be appointed by the Secretary of ~~Environment and~~ Environment and Natural and Cultural Resources for three-year terms from nominations made by the Director of the Office of Marine Affairs. Each committee shall select one of its members to serve as chairperson. Members of the committees shall serve without compensation for services or expenses.

"§ 143B-135.188. North Carolina Aquariums; fees; fund.

(a) Fees. – The Secretary of ~~Environment and~~ Environment and Natural and Cultural Resources may adopt a schedule of fees for the aquariums and piers operated by the North Carolina Aquariums, including:

- (1) Gate admission fees.
- (2) Facility rental fees.
- (3) Educational programs.

(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special ~~and nonreverting~~ fund. The North Carolina Aquariums Fund shall be used for the following:

- (1) ~~repair, Repair, renovation, expansion, maintenance, and educational exhibit construction, and operational expenses~~ construction at existing aquariums, aquariums.
- (2) ~~to pay~~ Payment of the debt service and lease payments related to the financing of expansions of aquariums, aquariums.
- (3) ~~and to match~~ Matching of private funds that are raised for these purposes.

(c) Disposition of Fees. – All entrance fee receipts shall be credited to the ~~North Carolina Aquariums Fund. Receipts so credited that are necessary to support the personnel and operational expenses of the aquariums shall be transferred to the aquariums' General Fund operating budget on a monthly basis.~~ budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina aquariums' General Fund operating budget to the North Carolina Aquariums Fund an amount not to exceed the sum of the following:

- (1) One million dollars (\$1,000,000).
- (2) The amount needed to cover the expenses described by subdivision (2) of subsection (b) this section.

(d) Approval. – The Secretary may approve the use of the North Carolina Aquariums Fund for repair and renovation projects at the aquariums-related facilities that comply with the following:

- (1) The total project cost is less than three hundred thousand dollars (\$300,000).
- (2) The project meets the requirements of G.S. 143C-4-3(b).

~~(d)(e)~~ Report. – The Division of North Carolina Aquariums shall submit to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, appropriations committees with jurisdiction over natural and economic resources, and the Fiscal Research Division by September 30 of each year a report on the North Carolina Aquariums Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

...."

SECTION 14.30.(o) Part 38 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (h) of this section, reads as rewritten:

"Part 38. North Carolina Parks and Recreation Authority.

"§ 143B-135.200. North Carolina Parks and Recreation Authority; creation; powers and duties.

The North Carolina Parks and Recreation Authority is created, to be administered by the Department of ~~Environment and~~ Environment and Natural and Cultural Resources. The North Carolina Parks and Recreation Authority shall have at least the following powers and duties:

- (1) To receive public and private donations, appropriations, grants, and revenues for deposit into the Parks and Recreation Trust Fund.
- (2) To allocate funds for land acquisition from the Parks and Recreation Trust Fund.
- (3) To allocate funds for repairs, renovations, improvements, construction, and other capital projects from the Parks and Recreation Trust Fund.
- (4) To solicit financial and material support from public and private sources.
- (5) To develop effective public and private support for the programs and operations of the parks and recreation areas.
- (6) To consider and to advise the Secretary of ~~Environment and Natural~~ and Cultural Resources on any matter the Secretary may refer to the North Carolina Parks and Recreation Authority.

"§ 143B-135.202. North Carolina Parks and Recreation Authority; members; selection; compensation; meetings.

(a) Membership. – The North Carolina Parks and Recreation Authority shall consist of nine members. The members shall include persons who are knowledgeable about park and recreation issues in North Carolina or with expertise in finance. In making appointments, each appointing authority shall specify under which subdivision of this subsection the person is appointed. Members shall be appointed as follows:

- (1) One member appointed by the Governor.
- (2) One member appointed by the Governor.
- (3) One member appointed by the Governor.
- ~~(3a) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~
- ~~(3b) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~
- (4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- (5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- (6) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- ~~(7) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~
- ~~(7a) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~
- ~~(8)(7)~~ One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- ~~(9)(8)~~ One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- ~~(10)(9)~~ One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- ~~(11) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~
- ~~(12) Repealed by Session Laws 2013-360, s. 14.5(a), effective July 1, 2013.~~

(b) Terms. – Members shall serve staggered terms of office of three years. Members shall serve no more than two consecutive three-year terms. After serving two consecutive three-year terms, a member is not eligible for appointment to the Authority for at least one year after the expiration date of that member's most recent term. Upon the expiration of a three-year term, a member may continue to serve until a successor is appointed and duly qualified as provided by G.S. 128-7. The terms of members appointed under subdivision (1), (5), or ~~(9)-(8)~~ of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by three. The terms of members appointed under subdivision (2), (4), or ~~(8)-(7)~~ of subsection (a) of this section shall expire on July 1 of years that follow by one year those years that are evenly divisible by three. The terms of members appointed under subdivision (3), (6), or ~~(10)-(9)~~ of subsection (a) of this section shall expire on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Chair. – The Governor shall appoint one member of the North Carolina Parks and Recreation Authority to serve as Chair.

(d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall be filled by the appointing authority responsible for making the appointment to that position as provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the unexpired balance of the term.

(e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C of the General Statutes any member of the North Carolina Parks and Recreation Authority appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General Assembly may remove any member of the North Carolina Parks and Recreation Authority appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

(f) Compensation. – The members of the North Carolina Parks and Recreation Authority shall receive per diem and necessary travel and subsistence expenses according to the provisions of G.S. 138-5.

(g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least quarterly at a time and place designated by the Chair.

(h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall constitute a quorum for the transaction of business.

(i) Staff. – All clerical and other services required by the North Carolina Parks and Recreation Authority shall be provided by the Secretary of ~~Environment and~~ Natural and Cultural Resources."

SECTION 14.30.(p) Part 39 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (i) of this section, reads as rewritten:

"Part 39. North Carolina Zoological Park Council.

"§ 143B-135.205. North Carolina Zoological Park Council – creation; powers and duties.

There is hereby created the North Carolina Zoological Park Council of the Department of ~~Environment and~~ Natural and Cultural Resources. The North Carolina Zoological Park Council shall have the following functions and duties:

- (1) To advise the Secretary on the basic concepts of and for the Zoological Park, approve conceptual plans for the Zoological Park and its ~~buildings;~~buildings.
- (2) To advise on the construction, furnishings, equipment and operations of the North Carolina Zoological ~~Park;~~Park.
- ~~(2a)~~(3) To establish and set admission fees with the approval of the Secretary of ~~Environment and~~ Natural and Cultural Resources as provided in ~~G.S. 143-177.3(b);~~G.S. 143B-135.213.
- ~~(3)~~(4) To recommend programs to promote public appreciation of the North Carolina Zoological ~~Park;~~Park.
- ~~(4)~~(5) To disseminate information on animals and the park as deemed ~~necessary;~~necessary.
- ~~(5)~~(6) To develop effective public support of the North Carolina Zoological Park through whatever means are desirable and ~~necessary;~~necessary.
- ~~(6)~~(7) To solicit financial and material support from various private sources within and without the State of North ~~Carolina;~~ and Carolina.
- ~~(7)~~(8) To advise the Secretary of ~~Environment and~~ Natural and Cultural Resources upon any matter the Secretary may refer to it.

"§ 143B-135.207. North Carolina Zoological Park Council – members; selection; removal; chairman; compensation; quorum; services.

The North Carolina Zoological Park Council of the Department of ~~Environment and~~ Natural and Cultural Resources shall consist of 15 members appointed by the Governor, one of whom shall be the Chairman of the Board of Directors of the North Carolina Zoological Society.

~~The initial members of the Council shall be the members of the Board of Directors of the North Carolina Zoo Authority who shall serve for a period equal to the remainder of their current terms on the Board of Directors of the North Carolina Zoological Authority, all of whose terms expire July 15, 1975. At the end of the respective terms of office of the initial members of the Council, the Governor, to achieve staggered terms, shall appoint five members for terms of two years, five members for terms of four years and five members for terms of six years. Thereafter, the appointment of their successors shall be for terms of six years and until their successors are appointed and qualify. Any appointment to fill a vacancy on the Council 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 Council from office in accordance with the provisions of G.S. 143B-16 of the Executive Organization Act of 1973.

The Governor shall designate a member of the Council to serve as chairman at his pleasure.

Members of the Council shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

A majority of the Council shall constitute a quorum for the transaction of business.

All clerical and other services required by the Council shall be supplied by the Secretary of ~~Environment and Natural and Cultural Resources~~.

"§ 143B-135.209. ~~Special North Carolina Zoo Fund.~~

~~A special continuing and nonreverting fund, to be called the Special Zoo Fund, is created. The North Carolina Zoological Park shall retain unbudgeted receipts at the end of each fiscal year, beginning June 30, 1989, and deposit these receipts into this Fund. This Fund shall be used for maintenance, repairs, and renovations of exhibits in existing habitat clusters and visitor services facilities, construction of visitor services facilities and support facilities such as greenhouses and temporary animal holding areas, for the replacement of tram equipment as required to maintain adequate service to the public, and for marketing the Zoological Park. The Special Zoo Fund may also be used to match private funds that are raised for these purposes. Funds may be expended for these purposes by the Department of Environment and Natural Resources on the advice of the North Carolina Zoological Park Council and with the approval of the Office of State Budget and Management. The Department of Environment and Natural Resources shall provide a report on or before October 1 of each year to the Office of State Budget and Management, the Fiscal Research Division of the General Assembly, and to the Joint Legislative Commission on Governmental Operations on the use of fees collected pursuant to this section.~~

(a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North Carolina Zoo Fund shall be used for the following types of projects at the North Carolina Zoological Park and to match private funds raised for these types of projects:

- (1) Repair, renovation, expansion, maintenance, and educational exhibit construction.
- (2) Renovations of exhibits in habitat clusters, visitor services facilities, and support facilities (including greenhouses and temporary animal holding areas).
- (3) The acquisition, maintenance, or replacement of tram equipment as required to maintain adequate service to the public.

(b) Disposition of Fees. – All fee receipts shall be credited to the North Carolina Zoological Park's General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo Fund an amount not to exceed one million dollars (\$1,000,000).

(c) Approval. – The Secretary may approve the use of the North Carolina Zoo Fund for repair and renovation projects at the North Carolina Zoological Park recommended by the Council that comply with the following:

- (1) The total project cost is less than three hundred thousand dollars (\$300,000).
- (2) The project meets the requirements of G.S. 143C-4-3(b).

(d) Report. – The Department shall submit to the House and Senate appropriations committees with jurisdiction over natural and economic resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Zoo Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 14.30.(q) G.S. 143B-135.210 through G.S. 143B-135.213, as recodified by subsection (j) of this section, read as rewritten:

"§ 143B-135.210. Right to receive gifts.

In order to carry out the purposes of this ~~Article, Part~~, the ~~Board Council~~ is authorized to acquire by gift or will, absolutely or in trust, from individuals, corporations, or any other source money or other property, or any interests in property, which may be retained, sold or otherwise used to promote the purposes of this ~~Article, Part~~. The use of gifts shall be subject to such limitations as may be imposed thereon by donors, notwithstanding any other provisions of this ~~Article, Part~~.

"§ 143B-135.211. Tax exemption for gifts to North Carolina Zoological Park Fund, Park.

All gifts made to the North Carolina Zoological Park for the purposes of this ~~Article, Part~~ shall be exempt from every form of taxation including, but not by the way of limitation, ad valorem, intangible, gift, inheritance and income taxation. Proceeds from the sale of any

property acquired under the provisions of this ~~Article-Part~~ shall be deposited in the North Carolina State treasury and shall be credited to the North Carolina Zoological Park.

"§ 143B-135.212. Cities and counties.

Cities and counties are hereby authorized to expend funds derived from nontax sources and to make gifts of surplus property, to assist in carrying out the purposes of this ~~Article-Part~~.

"§ 143B-135.213. Sources of funds.

(a) It is the intent of this ~~Article-Part~~ that the funds for the creation, establishment, construction, operation and maintenance of the North Carolina Zoological Park shall be obtained primarily from private sources; however, the Council under the supervision and approval and with the assistance of the Secretary of ~~Environment and Natural and Cultural Resources~~ is hereby authorized to receive and expend such funds as may from time to time become available by appropriation or otherwise from the State of North Carolina; provided, that the ~~North Carolina Zoological Park Council~~ shall not in any manner pledge the faith and credit of the State of North Carolina for any of its purposes.

(b) The Council with the approval of the Secretary of ~~Environment and Natural and Cultural Resources~~ is authorized to establish and set admission fees which are reasonable and consistent with the purpose and function of the North Carolina Zoological Park."

SECTION 14.30.(r) Part 40 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (k) of this section, reads as rewritten:

"Part 40. ~~Advisory Commission for~~ North Carolina State Museum of Natural Sciences.

"§ 143B-135.215. Commission created; membership.

There is created an Advisory Commission for the North Carolina State Museum of Natural Sciences which shall determine its own organization. It shall consist of at least nine members, which shall include the Director of the North Carolina State Museum of Natural Sciences, the Commissioner of Agriculture, the State Geologist and Secretary of ~~Environment and Natural and Cultural Resources~~, the Director of the Institute of Fisheries Research of the University of North Carolina, the Director of the Wildlife Resources Commission, the Superintendent of Public Instruction, or qualified representative of any or all of the above-named members, and at least three persons representing the East, the Piedmont, and the Western areas of the State. Members appointed by the Governor shall serve for four-year staggered terms. Terms shall begin on 1 September. Members appointed by the Governor shall not serve more than three consecutive four-year terms. Any member may be removed by the Governor for cause.

...
"§ 143B-135.221. Reports to General Assembly.

The Commission shall prepare and submit a report outlining the needs of the North Carolina State Museum of Natural Sciences and recommendations for improvement of the effectiveness of the North Carolina State Museum of Natural Sciences for the purpose hereinabove set forth to ~~the 1995 General Assembly, and to each succeeding the~~ General Assembly, to the Fiscal Research Division of the General Assembly, and to the Joint Legislative Commission on Governmental Operations on or before October 1 of each year.

"§ 143B-135.223. Museum of Natural Sciences; disposition of objects.

Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other law pertaining to surplus State property, the Department of ~~Environment and Natural and Cultural Resources~~ may sell or exchange any object from the collection of the Museum of Natural Sciences when it would be in the best interest of the Museum to do so. Sales or exchanges shall be conducted in accordance with generally accepted practices for accredited museums. If an object is sold, the net proceeds of the sale shall be deposited in the State treasury to the credit of a special fund to be used for the improvement of the Museum's collections or exhibits.

"§ 143B-135.225. Museum of Natural Sciences; fees; fund.

(a) Fund. – The North Carolina Museum of Natural Sciences Fund is created as a special fund. The North Carolina Museum of Natural Sciences Fund shall be used for repair, renovation, expansion, maintenance, and educational exhibit construction at the North Carolina Museum of Natural Sciences and to match private funds raised for these projects.

(b) Certain Admission Fees Permitted; Disposition of Receipts. – The Museum may collect a charge for special exhibitions, special events, and other temporary attractions. All Museum receipts shall be credited to the North Carolina Museum of Natural Sciences' General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the

North Carolina Museum of Natural Sciences' General Fund operating budget to the North Carolina Museum Fund an amount not to exceed one million dollars (\$1,000,000).

(c) Approval. – The Secretary may approve the use of the North Carolina Museum of Natural Sciences Fund for repair and renovation projects at the North Carolina Museum of Natural Sciences recommended by the Advisory Council that comply with the following:

(1) The total project cost is less than three hundred thousand dollars (\$300,000).

(2) The project meets the requirements of G.S. 143C-4-3(b).

(d) Report. – The Department shall submit to the House and Senate appropriations committees with jurisdiction over natural and economic resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Museum Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

"§ 143B-135.229. North Carolina Museum of Forestry; Museum of Natural Sciences at Whiteville; satellite museum.

The Department of ~~Environment and~~ Natural and Cultural Resources shall establish and administer the North Carolina Museum of ~~Forestry~~ Natural Sciences at Whiteville in Columbus County as a satellite museum of the North Carolina State Museum of Natural Sciences."

SECTION 14.30.(r1) Part 41 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (k1) of this section, reads as rewritten:

"Part. 41. Clean Water Management Trust Fund.

...
"§ 143B-135.232. Definitions.

The following definitions apply in this Article:

(1) Council. – The advisory council for the Clean Water Management Trust Fund.

(2) ~~Repealed by Session Laws 2014-100, s. 14.8(b), effective July 1, 2014.~~

(3)(2) Fund. – The Clean Water Management Trust Fund created pursuant to this Article.

(4)(3) Land. – Real property and any interest in, easement in, or restriction on real property.

(4a)(4) Local government unit. – Defined in G.S. 159G-20.

(4b) ~~Repealed by Session Laws 2014-100, s. 14.8(b), effective July 1, 2014.~~

(5) Trustees. – The trustees of the Clean Water Management Trust Fund.

(6); (7) ~~Repealed by Session Laws 2014-100, s. 14.8(b) effective July 1, 2014.~~

"§ 143B-135.234. Clean Water Management Trust Fund.

...
(c) Fund Purposes. – Moneys from the Fund are appropriated annually to finance projects to clean up or prevent surface water pollution and for land preservation in accordance with this Article. Revenue in the Fund may be used for any of the following purposes:

(1) To acquire land for riparian buffers for the purposes of providing environmental protection for surface waters and urban drinking water supplies and establishing a network of riparian greenways for environmental, educational, and recreational uses.

(2) To acquire conservation easements or other interests in real property for the purpose of protecting and conserving surface waters and enhancing drinking water supplies, including the development of water supply reservoirs.

(3) To coordinate with other public programs involved with lands adjoining water bodies to gain the most public benefit while protecting and improving water quality.

(4) To restore previously degraded lands to reestablish their ability to protect water quality.

(5) ~~through (7) Repealed by Session Laws 2013-360, s. 14.3(d), effective August 1, 2013.~~

(8)(5) To facilitate planning that targets reductions in surface water pollution.

(8a)(6) To finance innovative efforts, including pilot projects, to improve stormwater management, to reduce pollutants entering the State's waterways, to improve water quality, and to research alternative solutions to the State's water quality problems.

- ~~(8b)~~(7) To provide buffers around military bases or for State matching funds for the Readiness and Environmental Protection Initiative, a federal funding initiative that provides funds for military buffers.
- ~~(8e)~~(8) To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic systems and other natural areas to ensure their preservation and conservation for recreational, scientific, educational, cultural, and aesthetic purposes.
- ~~(8d)~~(9) To acquire land that contributes to the development of a balanced State program of historic properties.
- ~~(8e)~~(10) To authorize expenditures from the Fund not to exceed the sum of seven hundred fifty thousand dollars (\$750,000) and any fees collected under ~~G.S. 113A-164.12~~ G.S. 143B-135.272 to pay for the inventory of natural areas conducted under the Natural Heritage Program established pursuant to the Nature Preserves Act, ~~Article 9A of Chapter 113A of the General Statutes, Part 42 of this Article,~~ and to pay for conservation and protection planning and for informational programs for owners of natural areas, as defined in ~~G.S. 113A-164.3~~ G.S. 143B-135.254.
- ~~(9)~~(11) To fund operating expenses of the Board of Trustees and its staff.

(d) Limit on Operating and Administrative Expenses. – ~~For the fiscal year beginning July 1, 2013, the limit on operating and administrative expenses of the Board of Trustees and its staff is one million two hundred fifty thousand dollars (\$1,250,000). For fiscal years beginning on or after July 1, 2014, the limit on operating and administrative expenses of the Board of Trustees and its staff is the amount for the preceding year, adjusted to include any change in the distribution of statewide salary and benefits reserves.~~

...
"§ 143B-135.238. Grant requirements.

(a) Eligible Applicants. – Any of the following are eligible to apply for a grant from the Fund for the purpose of protecting and enhancing water quality:

- (1) A State agency.
- (2) A local government unit.
- (3) A nonprofit corporation whose primary purpose is the conservation, preservation, or restoration of our State's cultural, environmental, or natural resources.

~~(a1)~~(b) Criteria. – The criteria developed by the Trustees under ~~G.S. 113A-256~~ G.S. 143B-135.242 apply to grants made under this Article.

~~(b)~~(c) Matching Requirement. – The Board of Trustees shall establish matching requirements for grants awarded under this Article. This requirement may be satisfied by the donation of land to a public or private nonprofit conservation organization as approved by the Board of Trustees. The Board of Trustees may also waive the requirement to match a grant pursuant to guidelines adopted by the Board of Trustees.

~~(e)~~(d) Restriction. – No grant shall be awarded under this article to satisfy compensatory mitigation requirements under 33 USC § 1344 or G.S. 143-214.11.

~~(d);~~ ~~(e)~~ ~~Repealed by Session Laws 2014-100, s. 14.8(c), effective July 1, 2014.~~

~~(f)~~(e) Withdrawal. – An award of a grant under this Article is withdrawn if the grant recipient fails to enter into a construction contract for the project within one year after the date of the award, unless the Trustees find that the applicant has good cause for the failure. If the Trustees find good cause for a recipient's failure, the Trustees must set a date by which the recipient must take action or forfeit the grant.

"§ 143B-135.240. Clean Water Management Trust Fund: Board of Trustees established; membership qualifications; vacancies; meetings and meeting facilities.

(a) Board of Trustees Established. – There is established the Clean Water Management Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees shall be administratively located within the Department of ~~Environment and Natural and Cultural Resources.~~

...
~~(b1)~~(c) Qualifications. – The office of Trustee is declared to be an office that may be held concurrently with any other executive or appointive office, under the authority of Article VI, Section 9, of the North Carolina Constitution. When appointing members of the Authority, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of

Representatives shall give consideration to adequate representation from the various regions of the State and shall give consideration to the appointment of members who are knowledgeable in any of the following areas:

- (1) Acquisition and management of natural areas.
- (2) Conservation and restoration of water quality.
- (3) Wildlife and fisheries habitats and resources.
- (4) Environmental management.
- (5) Historic preservation.

~~(b2)(d)~~ Limitation on Length of Service. – No member of the Board of Trustees shall serve more than two consecutive three-year terms or a total of 10 years.

~~(e)(e)~~ Chair. – The Governor shall appoint one member to serve as Chair of the Board of Trustees.

~~(d)(f)~~ Vacancies. – An appointment to fill a vacancy on the Board of Trustees created by the resignation, removal, disability, or death of a member shall be for the balance of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled as provided in G.S. 120-122.

~~(e)(g)~~ Frequency of Meetings. – The Board of Trustees shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members.

~~(e1)(h)~~ Quorum. – A majority of the membership of the Board of Trustees constitutes a quorum for the transaction of business.

~~(f)(i)~~ Per Diem and Expenses. – Each member of the Board of Trustees shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 120-3.1, 138-5, and 138-6, as applicable. Per diem, subsistence, and travel expenses of the Trustees shall be paid from the Fund.

~~(g)~~ Repealed by Session Laws 2013-360, s. 14.3(e), effective August 1, 2013.

"§ 143B-135.242. Clean Water Management Trust Fund Board of Trustees: powers and duties.

...
~~(g)~~ Repealed by Session Laws 2013-414, s. 58(b), effective January 1, 2014, and by Session Laws 2014-3, s. 14.14(f), effective May 29, 2014.

~~(h)~~ Rule-making Authority. – The Trustees may adopt rules to implement this Article. Chapter 150B of the General Statutes applies to the adoption of rules by the Trustees.

~~(i)~~ Repealed by Session Laws 1999-237, s. 15.11, effective July 1, 1999.

~~(j)~~ Repealed by Session Laws 2013-360, s. 14.3(f), effective August 1, 2013.

"§ 143B-135.244. Clean Water Management Trust Fund: reporting requirement.

The Chair of the Board of Trustees shall report no later than December 1 each year ~~by 1 December~~ to the Joint Legislative Commission on Governmental Operations, the Environmental Review Commission, the Subcommittees ~~on Natural and Economic Resources~~ of the House of Representatives and Senate Appropriations ~~Committees, Committees with jurisdiction over natural and economic resources,~~ and the Fiscal Research Division of the General Assembly regarding the implementation of this Article. The report shall include a list of the projects awarded grants from the Fund for the previous 12-month period. The list shall include for each project a description of the project, the amount of the grant awarded for the project, and the total cost of the project."

"§ 143B-135.246. Clean Water Management Trust Fund: Executive Director and staff.

The Secretary of ~~Environment and Natural and Cultural Resources~~ shall select and appoint a competent person in accordance with this section as Executive Director of the Clean Water Management Trust Fund Board of Trustees. The Executive Director shall be charged with the supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief administrative officer of the Trustees. Subject to the approval of the Secretary of ~~Environment and Natural and Cultural Resources~~, the Executive Director may employ such clerical and other assistants as may be deemed necessary.

The person selected as Executive Director shall have had training and experience in conservation, protection, and management of surface water resources. The salary of the Executive Director shall be fixed by the Secretary of ~~Environment and Natural and Cultural Resources~~, and the Executive Director shall be allowed travel and subsistence expenses in accordance with G.S. 138-6. The Executive Director's salary and expenses shall be paid from the Fund. The term of office of the Executive Director shall be at the pleasure of the Secretary of ~~Environment and Natural and Cultural Resources~~.

These employees shall be exempt from the North Carolina Human Resources Act, as provided in G.S. 126-5(c1).

"§ 143B-135.248. Clean Water Management Trust Fund: Advisory Council.

There is established the Clean Water Management Trust Fund Advisory Council. The Council shall advise the Trustees with regard to allocations made from the Fund, and other issues as requested by the Trustees. The Council shall be composed of the following or its designees:

- (1) Commissioner of Agriculture.
- (2) Chair of the Wildlife Resources Commission.
- (3) Secretary of ~~Environment and Natural Resources~~. Environmental Quality.
- (4) Secretary of the Department of Commerce.
- (5) Secretary of the Department of Natural and Cultural Resources."

SECTION 14.30.(r2) Part 42 of Article 2 of Chapter 143B of the General Statutes, as recodified by subsection (k2) of this section, reads as rewritten:

~~"Article 9A.~~

"Part 42. Nature Preserves Act.

"§ 143B-135.250. Short title.

This ~~Article~~Part shall be known as the Nature Preserves Act.

"§ 143B-135.254. Definitions.

As used in this Article, unless the context requires otherwise:

- (1) "Articles of dedication" means the writing by which any estate, interest, or right in a natural area is formally dedicated as a nature preserve as authorized in ~~G.S. 113A-164.6~~. G.S. 143B-135.260.
- (2) "Dedicate" means to transfer to the State an estate, interest, or right in a natural area in any manner authorized in ~~G.S. 113A-164.6~~. G.S. 143B-135.260.
- (3) "Natural area" means an area of land, water, or both land and water, whether publicly or privately owned, that (i) retains or has reestablished its natural character, (ii) provides habitat for rare or endangered species of plants or animals, (iii) or has biotic, geological, scenic, or paleontological features of scientific or educational value.
- (4) "Nature preserve" means a natural area that has been dedicated pursuant to ~~G.S. 113A-164.6~~. G.S. 143B-135.260.
- (5) "Owner" means any individual, corporation, partnership, trust, or association, and all governmental units except the State, its departments, agencies or institutions.
- (6) "Registration" means an agreement between the Secretary and the owner of a natural area to protect and manage the natural area for its specified natural heritage resource values.
- (7) "Secretary" means the Secretary of ~~Environment and Natural Resources~~. Natural and Cultural Resources.

"§ 143B-135.256. Powers and duties of the Secretary.

The Secretary shall:

- ~~(7)~~ Submit to the Governor and the General Assembly a biennial report ~~on or before February 15, 1987, and on or before February 15 of subsequent odd-numbered years~~ describing the activities of the past biennium and plans for the coming biennium, and detailing specific recommendations for action that the Secretary deems necessary for the improvement of the Program.

"§ 143B-135.260. Dedication of nature preserves.

(a) The State may accept the dedication of nature preserves on lands deemed by the Secretary to qualify as outstanding natural areas. Nature preserves may be dedicated by voluntary act of the owner. The owner of a qualified natural area may transfer fee simple title or other interest in land to the State. Nature preserves may be acquired by gift, grant, or purchase. Dedication of a preserve shall become effective only upon acceptance of the articles of dedication by the State. Articles of dedication shall be recorded in the office of the register of deeds in the county or counties in which the natural area is located.

- (b) Articles of dedication ~~may~~ may include any of the following:
- (1) ~~Contain restrictions~~ Restrictions and other provisions relating to management, use, development, transfer, and public access, and ~~may contain~~ any other restrictions and provisions as may be necessary or advisable to further the purposes of this ~~Article~~ Part.
 - (2) ~~Define, consistently~~ Definitions, consistent with the purposes of this ~~Article, Part, of~~ the respective rights and duties of the owner and of the State and ~~provide~~ procedures to be followed in case of violation of ~~the restrictions~~ restrictions.
 - (3) ~~Recognize and create~~ The recognition and creation of reversionary rights, transfers upon conditions or with limitations, and gifts ~~over, and over~~.
 - (4) ~~Vary in~~ Varying provisions from one nature preserve to another in accordance with differences in the characteristics and conditions of the several areas.

(c) Subject to the approval of the Governor and Council of State, the State may enter into amendments of any articles of dedication upon finding that the amendment will not permit an impairment, disturbance, use, or development of the area inconsistent with the purposes of this ~~Article, Part~~. If the fee simple estate in the nature preserve is not held by the State under this ~~Article, Part~~, no amendment may be made without the written consent of the owner of the other interests therein.

"§ 143B-135.262. Nature preserves held in trust.

Lands dedicated for nature preserves pursuant to this ~~Article, Part~~ are held in trust by the State for those uses and purposes expressed in this ~~Article, Part~~ for the benefit of the people of North Carolina. These lands shall be managed and protected according to regulations adopted by the Secretary. Lands dedicated as a nature preserve pursuant to ~~G.S. 113A-164.6~~ G.S. 143B-135.260 may not be used for any purpose inconsistent with the provisions of this ~~Article, Part~~, or disposed of, by the State without a finding by the Governor and Council of State that the other use or disposition is in the best interest of the State.

...
"§ 143B-135.268. Acquisition of land by State.

All acquisitions or dispositions of an interest in land by the State pursuant to this ~~Article, Part~~ shall be subject to the provisions of Chapter 146 of the General Statutes.

...
"§ 143B-135.272. Access to information; fees.

(a) The Secretary may establish fees to defray the costs associated with any of the following:

- (1) Responding to inquiries requiring customized environmental review services or the costs associated with developing, improving, or maintaining technology that supports an online interface for external users to access Natural Heritage Program data. The Secretary may reduce or waive the fee established under this subsection if the Secretary determines that a waiver or reduction of the fee is in the public interest.
- (2) Any activity authorized under ~~G.S. 113A-253(8e)~~, G.S. 143B-135.234(10), including an inventory of natural areas conducted under the Natural Heritage Program, conservation and protection planning, and informational programs for owners of natural areas, as defined in ~~G.S. 113A-164.3~~, G.S. 143B-135.254.

(b) Fees collected under this section are receipts of the Department of ~~Environment and~~ Natural and Cultural Resources and shall be deposited in the Clean Water Management Trust Fund for the purpose of supporting the operations of the Natural Heritage Program."

CHANGES TO STATUTORY REFERENCES TO DEPARTMENTS

SECTION 14.30.(s) The following statutes are amended by deleting the language "Department of Cultural Resources" wherever it appears and substituting "Department of Natural and Cultural Resources": G.S. 7A-343.1, 7B-3000, 8-6, 8-7, 8-34, 14-76.1, 15C-7, 20-79.4, 62-102, 65-85, 70-2, 70-13, 70-13.1, 70-16, 70-18, 70-19, 70-20, 70-28, 70-31, 70-48, 70-49, 70-50, 70-51, 70-52, 75D-5, 97-24, 100-2, 102-17, 105-129.36A, 105-256, 111-28, 111-47.2, 115C-218.25, 120-37, 121-2, 121-3, 121-4, 121-4.1, 121-5, 121-5.1, 121-6, 121-7, 121-7.1, 121-7.2, 121-7.3, 121-7.4, 121-7.5, 121-7.6, 121-8, 121-9, 121-9.1, 121-10, 121-11,

121-12, 121-12.1, 121-12.2, 121-13, 121-14, 121-15, 121-16, 121-18, 121-20, 121-23, 121-24, 121-25, 121-25.1, 121-26, 121-27, 125-1, 125-2, 125-5, 125-7, 125-8, 125-10, 125-11.8, 125-14, 126-5, 130A-93, 132-3, 132-4, 132-8, 132-8.1, 132-8.2, 136-42.1, 136-42.2, 136-42.3, 136-43.1, 140-5.12, 140-5.13, 140-5.14, 142-13, 143-138, 143-268, 143-300, 143-406, 143-410, 143-411, 143-431, 143-432, 143-640, 143-641, 143-642, 143-675, 143-676, 143-677, 143B-2, 143B-6, 143B-49, 143B-51, 143B-53.1, 143B-53.2, 143B-53.3, 143B-62, 143B-63, 143B-67, 143B-68, 143B-71, 143B-72, 143B-73, 143B-73.1, 143B-74, 143B-74.2, 143B-79, 143B-85, 143B-87.2, 143B-90, 143B-95, 143B-111, 143B-121, 143B-123, 143B-124, 143B-125, 143B-126, 143B-127, 143B-131.1, 143B-131.2, 143B-131.8A, 143B-131.9, 143B-133, 143B-135, 143B-181, 143B-417, 143B-948, 150B-1, 153A-266, 153A-373, 160A-400.4, 160A-400.6, 160A-433, 161-11.5, 163-82.10, 163-278.22, and 163-278.30. In any other instances in the General Statutes in which there is a reference to the Department of Cultural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Department of Natural and Cultural Resources, as appropriate.

SECTION 14.30.(t) The following statutes are amended by deleting the language "Secretary of Cultural Resources" wherever it appears and substituting "Secretary of Natural and Cultural Resources": G.S. 20-79.5, 47-16.5, 116B-70, 121-2, 121-9, 121-10, 121-12.2, 125-2, 125-9, 125-11.11, 132-8, 136-43.1, 140-5.14, 140-5.15, 143-200, 143-201, 143-204.8, 143-675, 143-676, 143B-52, 143B-62, 143B-63, 143B-72, 143B-74, 143B-74.1, 143B-79, 143B-80, 143B-83, 143B-84, 143B-87, 143B-88, 143B-90, 143B-91, 143B-97, 143B-98, 143B-99, 143B-101, 143B-102, 143B-105, 143B-106, 143B-109, 143B-110, 143B-114, 143B-115, 143B-131.2, 143B-133, 143B-135, 147-54.3, and 153A-267. In any other instances in the General Statutes in which there is a reference to the Secretary of Cultural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Secretary of Natural and Cultural Resources, as appropriate.

SECTION 14.30.(u) The following statutes are amended by deleting the language "Department of Environment and Natural Resources" wherever it appears and substituting "Department of Environmental Quality": G.S. 14-86.2, 14-137, 15A-1343, 18B-902, 20-85, 20-128, 20-183.7, 62-102, 62-110.1, 62-133.6, 62-133.8, 62-302.1, 69-25.5, 74-38, 74-49, 74-53, 74-76, 75A-17, 76-40, 77-90, 77-95, 77-114, 77-125, 77-127, 77-141, 77-142, 87-85, 87-95, 87-97, 87-98.2, 90A-21, 90A-25, 90A-47.3, 95-225, 100-2, 104E-7, 104E-15, 104E-24, 105-122, 105-129.81, 105-130.10, 105-187.24, 105-187.63, 105-259, 105-275, 105-277.13, 105-449.107, 106-24, 106-143, 106-678, 106-762, 106-805, 106-806, 106-860, 110-92, 110-142.2, 113-1, 113-3, 113-8, 113-8.01, 113-14.1, 113-14.3, 113-16, 113-17, 113-18, 113-19, 113-20, 113-21, 113-25, 113-26.1, 113-128, 113-168, 113-174, 113-251, 113-300.6, 113-378, 113-389, 113-425, 113A-52, 113A-103, 113A-104, 113A-113, 113A-118, 113A-129.2, 113A-134.11, 113A-134.12, 113A-153, 113A-167, 113A-168, 113A-169, 113A-170, 113A-221, 113A-230, 113A-231, 113A-232, 113A-235, 113A-253, 113A-255, 113B-2, 113B-6, 113B-11, 113B-30, 115C-522, 120-70.43, 120-76, 121-4, 126-5, 128-1.1, 130A-1.1, 130A-4, 130A-24, 130A-26.1, 130A-33.50, 130A-47, 130A-131.7, 130A-290, 130A-295.9, 130A-301, 130A-309.14, 130A-309.140, 130A-310.60, 130A-313, 130A-336, 130A-481, 136-21, 136-28.8, 136-44.7B, 136-44.7D, 136-44.36D, 136-123, 136-202, 139-8, 139-46, 143-58.2, 143-58.4, 143-64.11, 143-64.12, 143-64.17F, 143-64.17G, 143-64.17H, 143-138, 143-166.13, 143-211, 143-212, 143-214.7A, 143-214.8, 143-214.13, 143-214.25A, 143-215.8D, 143-215.9B, 143-215.9C, 143-215.73A, 143-215.77, 143-215.94I, 143-215.94L, 143-215.94HH, 143-215.107B, 143-215.107C, 143-228.10, 143-240, 143-252, 143-253, 143-286.1, 143-289, 143-320, 143-323, 143-350, 143-355, 143-355.2, 143-436, 143-439, 143B-2, 143B-6, 143B-131.2, 143B-181, 143B-279.1, 143B-279.2, 143B-279.3, 143B-279.4, 143B-279.5, 143B-279.7, 143B-279.8, 143B-279.9, 143B-279.10, 143B-279.11, 143B-279.12, 143B-279.13, 143B-279.14, 143B-279.15, 143B-279.16, 143B-279.17, 143B-281.1, 143B-282, 143B-282.1, 143B-283, 143B-284, 143B-285, 143B-285.22, 143B-289.50, 143B-289.51, 143B-289.52, 143B-289.61, 143B-290, 143B-293.1, 143B-298, 143B-299, 143B-300, 143B-301, 143B-301.1, 143B-301.10, 143B-324.1, 143B-324.2, 143B-344.34, 143B-344.35, 143B-344.36, 143B-344.37, 143B-344.38, 143B-344.44, 143B-344.50, 143B-344.55, 143B-417, 143B-431.01, 143B-437, 143B-437.01, 146-8, 147-33.104A, 148-10, 150B-1, 150B-19.3, 153A-136, 153A-226, 153A-421, 156-59, 156-74, 156-76, 156-83, 159G-20, 159C-7, 159D-7, 159G-70, 159I-3, 162A-23, 162A-24, 162A-25, 162A-29, 162A-30, 162A-33, 162A-35, 166A-19.3, and 166A-26. In any other instances in the General Statutes in which there is a reference to the Department of Environment and Natural Resources or a derivative

thereof, the Revisor of Statutes may replace that reference with a reference to the Department of Environmental Quality, as appropriate.

SECTION 14.30.(v) The following statutes are amended by deleting the language "Secretary of Environment and Natural Resources" wherever it appears and substituting "Secretary of Environmental Quality": G.S. 7A-29, 20-79.5, 47C-3-122, 47F-3-122, 58-78-1, 62-133.6, 68-43, 77-95, 77-114, 77-130, 87-94, 87-95, 87-98.2, 90A-21, 90A-22, 90A-23, 90A-24, 90A-25.1, 90A-28, 90A-30, 90A-37, 90A-38, 90A-39, 90A-43, 104E-5, 104E-17, 105-129.83, 105-187.84, 105-259, 106-744, 113-1, 113-128, 113-182.1, 113-221.4, 113-300.7, 113A-24, 113A-52, 113A-103, 113A-107, 113A-115.1, 113A-166, 113A-208, 113A-212, 113A-221, 113A-234, 113A-241, 113A-258, 113A-259, 113B-2, 113B-3, 120-150, 130A-4, 130A-17, 130A-18, 130A-19, 130A-20, 130A-22, 130A-23, 130A-27, 130A-47, 130A-290, 130A-301, 130A-313, 130A-334, 136-102.3, 143-58.4, 143-212, 143-215.8D, 143-215.18, 143-215.22L, 143-215.40, 143-215.70, 143-215.77, 143-215.86, 143-215.94HH, 143-215.107D, 143-215.126, 143-243, 143-320, 143-726, 143B-86, 143B-115, 143B-279.4, 143B-279.5, 143B-279.7, 143B-279.8, 143B-281.1, 143B-282.1, 143B-283, 143B-285.23, 143B-289.50, 143B-289.53, 143B-291, 143B-293.2, 143B-300, 143B-301, 143B-324.1, 143B-407, 143B-411.1, 143B-426.25, 143B-431.01, 148-26, 153A-301, 158-7.3, 159G-20, 159I-7, 160A-515.1, 162A-33, and 162A-35. In any other instances in the General Statutes in which there is a reference to the Secretary of Environment and Natural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Secretary of Environmental Quality, as appropriate.

SECTION 14.30.(w) The following statutes are amended by deleting the language "Department of Environment and Natural Resources" wherever it appears and substituting "Department of Natural and Cultural Resources": G.S. 100-11, 100-12, 100-13, 100-14, and 146-30. In any other instances in the General Statutes in which there is a reference to the Department of Environment and Natural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Department of Natural and Cultural Resources or a derivative thereof, when necessary to harmonize the statutes with the transfers set forth in subsections (a) and (b) of this section.

SECTION 14.30.(x) The following statutes are amended by deleting the language "Secretary of the Department of Cultural Resources" wherever it appears and substituting "Secretary of Natural and Cultural Resources": G.S. 70-1, 70-3, 70-4, 113A-259, 116-37.1, 116-65, 121-13, 132-5.1, 143-640, 143B-53.2, 143B-131.1, 143B-131.2, 143B-131.6, and 143B-131.9. In any other instances in the General Statutes in which there is a reference to the Secretary of the Department of Cultural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Secretary of Natural and Cultural Resources, as appropriate.

SECTION 14.30.(y) The following statutes are amended by deleting the language "Secretary of the Department of Environment and Natural Resources" wherever it appears and substituting "Secretary of Environmental Quality": G.S. 113-173.1 and G.S. 127C-2. In any other instances in the General Statutes in which there is a reference to the Secretary of the Department of Environment and Natural Resources or a derivative thereof, the Revisor of Statutes may replace that reference with a reference to the Secretary of Environmental Quality, as appropriate.

CONFORMING CHANGES

SECTION 14.30.(z) The following statutes are amended by deleting the language "Article 2C of Chapter 113" wherever it appears and substituting "Part 32 of Article 7 of Chapter 143B": G.S. 143-260.10, 143-260.10C, 143-260.10D, and 143-260.10E.

SECTION 14.30.(aa) The following statutes are amended by deleting the language "G.S. 113-44.14" wherever it appears and substituting "G.S. 143B-135.54": G.S. 143-260.10, 143B-260.10C, 143B-260.10D, and 143B-260.10G.

SECTION 14.30.(aa1) G.S. 7A-273(2) reads as rewritten:

"(2) In misdemeanor or infraction cases involving alcohol offenses under Chapter 18B of the General Statutes, traffic offenses, hunting, fishing, State park and recreation area rule offenses under ~~Chapter~~ Chapters 113 and 143B of the General Statutes, boating offenses under Chapter 75A of the General Statutes, open burning offenses under Article 78 of Chapter 106 of the General Statutes, and littering offenses under G.S. 14-399(c) and

G.S. 14-399(c1), to accept written appearances, waivers of trial or hearing and pleas of guilty or admissions of responsibility, in accordance with the schedule of offenses and fines or penalties promulgated by the Conference of Chief District Judges pursuant to G.S. 7A-148, and in such cases, to enter judgment and collect the fines or penalties and costs;"

SECTION 14.30.(bb) G.S. 14-131 reads as rewritten:

"§ 14-131. Trespass on land under option by the federal government.

On lands under option which have formally or informally been offered to and accepted by either the North Carolina Department of Environment and Natural and Cultural Resources or the Department of Environmental Quality by the acquiring federal agency and tentatively accepted by ~~said a~~ Department for administration as State forests, State parks, State game refuges or for other public purposes, it shall be unlawful to cut, dig, break, injure or remove any timber, lumber, firewood, trees, shrubs or other plants; or any fence, house, barn or other structure; or to pursue, trap, hunt or kill any bird or other wild animals or take fish from streams or lakes within the boundaries of such areas without the written consent of the local official of the United States having charge of the acquisition of such lands.

Any person, firm or corporation convicted of the violation of this section shall be guilty of a Class 3 misdemeanor.

The Department of ~~Environment and Natural Resources~~ Environmental Quality through its legally appointed forestry, fish and game wardens is hereby authorized and empowered to assist the county law-enforcement officers in the enforcement of this section."

SECTION 14.30.(cc) G.S. 14-415.11(c1) reads as rewritten:

"(c1) Any person who has a concealed handgun permit may carry a concealed handgun on the grounds or waters of a park within the State Parks System as defined in ~~G.S. 113-44.9.~~G.S. 143B-135.44."

SECTION 14.30.(dd) G.S. 20-79.7(b) reads as rewritten:

"(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the Clean Water Management Trust Fund (CWMTF), which is established under ~~G.S. 113A-253,~~ G.S. 143B-135.234, and the Parks and Recreation Trust Fund, which is established under ~~G.S. 113-44.15,~~ G.S. 143B-135.56, as follows:

...."

SECTION 14.30.(dd1). G.S. 20-81.12 reads as rewritten:

"§ 20-81.12. Collegiate insignia plates and certain other special plates.

...
(b) Historical Attraction Plates. – The Division must receive 300 or more applications for an historical attraction plate representing a publicly owned or nonprofit historical attraction located in North Carolina and listed below before the plate may be developed. The Division must transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of historical attraction plates to the organizations named below in proportion to the number of historical attraction plates sold representing that organization:

...
(3) State Historic Site. – The revenue derived from the special plate shall be transferred quarterly to the Department of Natural and Cultural Resources and used to develop and operate the site for which the plate is issued. As used in this subdivision, the term "State historic site" has the same meaning as in G.S. 121-2(11).

...
(b2) State Attraction Plates. – The Division must receive 300 or more applications for a State attraction plate before the plate may be developed. The Division must transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of State attraction plates to the organizations named below in proportion to the number of State attraction plates sold representing that organization:

...
(9) North Carolina State Parks. – The revenue derived from the special plate shall be transferred quarterly to Friends of State Parks, Inc., for its

educational, conservation, and other programs in support of the operations of the State Parks System established in ~~Article 2C of Chapter 113~~ Part 32 of Article 7 of Chapter 143B of the General Statutes.

...
(b7) Scenic Rivers Plates. – The Division must receive 300 or more applications for a Scenic Rivers plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Scenic Rivers plates to the Clean Water Management Trust Fund established in ~~G.S. 113A-253~~ G.S. 143B-135.234.

...
(b100) NC Civil War. – The Division must receive 300 or more applications for the "NC Civil War" plate before the plate may be developed. The Division must transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of "NC Civil War" plates to the North Carolina Department of Natural and Cultural Resources, Division of Archives and History, to provide funding to acquire, interpret, and preserve North Carolina's Civil War history.

...."

SECTION 14.30.(ee) G.S. 20-125(b) reads as rewritten:

"(b) Every vehicle owned or operated by a police department or by the Department of Public Safety including the State Highway Patrol or by the Wildlife Resources Commission or the Division of Marine ~~Fisheries~~, Fisheries of the Department of Environmental Quality, or by the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~, or by the North Carolina Forest Service of the Department of Agriculture and Consumer Services, and used exclusively for law enforcement, firefighting, or other emergency response purposes, or by the Division of Emergency Management, or by a fire department, either municipal or rural, or by a fire patrol, whether such fire department or patrol be a paid organization or a voluntary association, vehicles used by an organ procurement organization or agency for the recovery and transportation of human tissues and organs for transplantation, and every ambulance or emergency medical service emergency support vehicle used for answering emergency calls, shall be equipped with special lights, bells, sirens, horns or exhaust whistles of a type approved by the Commissioner of Motor Vehicles.

The operators of all such vehicles so equipped are hereby authorized to use such equipment at all times while engaged in the performance of their duties and services, both within their respective corporate limits and beyond.

In addition to the use of special equipment authorized and required by this subsection, the chief and assistant chiefs of any police department or of any fire department, whether the same be municipal or rural, paid or voluntary, county fire marshals, assistant fire marshals, transplant coordinators, and emergency management coordinators, are hereby authorized to use such special equipment on privately owned vehicles operated by them while actually engaged in the performance of their official or semiofficial duties or services either within or beyond their respective corporate limits.

And vehicles driven by law enforcement officers of the North Carolina Division of Motor Vehicles shall be equipped with a bell, siren, or exhaust whistle of a type approved by the Commissioner, and all vehicles owned and operated by the State Bureau of Investigation for the use of its agents and officers in the performance of their official duties may be equipped with special lights, bells, sirens, horns or exhaust whistles of a type approved by the Commissioner of Motor Vehicles.

Every vehicle used or operated for law enforcement purposes by the sheriff or any salaried deputy sheriff or salaried rural policeman of any county, whether owned by the county or not, may be, but is not required to be, equipped with special lights, bells, sirens, horns or exhaust whistles of a type approved by the Commissioner of Motor Vehicles. Such special equipment shall not be operated or activated by any person except by a law enforcement officer while actively engaged in performing law enforcement duties.

In addition to the use of special equipment authorized and required by this subsection, the chief and assistant chiefs of each emergency rescue squad which is recognized or sponsored by any municipality or civil preparedness agency, are hereby authorized to use such special equipment on privately owned vehicles operated by them while actually engaged in their official or semiofficial duties or services either within or beyond the corporate limits of the municipality which recognizes or sponsors such organization."

SECTION 14.30.(ff) G.S. 20-130.1(b)(18) reads as rewritten:

"(b) The provisions of subsection (a) of this section do not apply to the following:

...

(18) A vehicle operated by the Division of Marine Fisheries of the Department of Environmental Quality or the Division of Parks and Recreation of the Department of Environment and Natural and Cultural Resources that is used for law enforcement, firefighting, or other emergency response purpose."

SECTION 14.30.(gg) G.S. 20-145 reads as rewritten:

"§ 20-145. **When speed limit not applicable.**

The speed limitations set forth in this Article shall not apply to vehicles when operated with due regard for safety under the direction of the police in the chase or apprehension of violators of the law or of persons charged with or suspected of any such violation, nor to fire department or fire patrol vehicles when traveling in response to a fire alarm, nor to public or private ambulances and rescue squad emergency service vehicles when traveling in emergencies, nor to vehicles operated by county fire marshals and civil preparedness coordinators when traveling in the performances of their duties, nor to any of the following when either operated by a law enforcement officer in the chase or apprehension of violators of the law or of persons charged with or suspected of any such violation, when traveling in response to a fire alarm, or for other emergency response purposes: (i) a vehicle operated by the Division of Marine Fisheries of the Department of Environmental Quality or the Division of Parks and Recreation of the Department of Environment and Natural and Cultural Resources or (ii) a vehicle operated by the North Carolina Forest Service of the Department of Agriculture and Consumer Services. This exemption shall not, however, protect the driver of any such vehicle from the consequence of a reckless disregard of the safety of others."

SECTION 14.30.(hh) G.S. 20-156(b) reads as rewritten:

"(b) The driver of a vehicle upon the highway shall yield the right-of-way to police and fire department vehicles and public and private ambulances, vehicles used by an organ procurement organization or agency for the recovery or transportation of human tissues and organs for transplantation or a vehicle operated by a transplant coordinator who is an employee of an organ procurement organization or agency when the transplant coordinator is responding to a call to recover or transport human tissues or organs for transplantation, and to rescue squad emergency service vehicles and vehicles operated by county fire marshals and civil preparedness coordinators, and to a vehicle operated by the Division of Marine Fisheries of the Department of Environmental Quality or the Division of Parks and Recreation of the Department of Environment and Natural and Cultural Resources when used for law enforcement, firefighting, or other emergency response purpose, and to a vehicle operated by the North Carolina Forest Service of the Department of Agriculture and Consumer Services when used for a law enforcement, firefighting, or other emergency response purpose, when the operators of said vehicles are giving a warning signal by appropriate light and by bell, siren or exhaust whistle audible under normal conditions from a distance not less than 1,000 feet. When appropriate warning signals are being given, as provided in this subsection, an emergency vehicle may proceed through an intersection or other place when the emergency vehicle is facing a stop sign, a yield sign, or a traffic light which is emitting a flashing strobe signal or a beam of steady or flashing red light. This provision shall not operate to relieve the driver of a police or fire department vehicle, or a vehicle owned or operated by the Department of Environment and Natural Resources, or the Department of Agriculture and Consumer Services, or public or private ambulance or vehicles used by an organ procurement organization or agency for the recovery or transportation of human tissues and organs for transplantation or a vehicle operated by a transplant coordinator who is an employee of an organ procurement organization or agency when the transplant coordinator is responding to a call to recover or transport human tissues or organs for transplantation, or rescue squad emergency service vehicle or county fire marshals or civil preparedness coordinators from the duty to drive with due regard for the safety of all persons using the highway, nor shall it protect the driver of any such vehicle or county fire marshal or civil preparedness coordinator from the consequence of any arbitrary exercise of such right-of-way."

SECTION 14.30.(ii) G.S. 20-157(a) reads as rewritten:

"(a) Upon the approach of any law enforcement or fire department vehicle or public or private ambulance or rescue squad emergency service vehicle, or a vehicle operated by the Division of Marine Fisheries, Fisheries of the Department of Environmental Quality, or the

Division of Parks and Recreation of the Department of ~~Environment and~~ Natural and Cultural Resources, or the North Carolina Forest Service of the Department of Agriculture and Consumer Services when traveling in response to a fire alarm or other emergency response purpose, giving warning signal by appropriate light and by audible bell, siren or exhaust whistle, audible under normal conditions from a distance not less than 1000 feet, the driver of every other vehicle shall immediately drive the same to a position as near as possible and parallel to the right-hand edge or curb, clear of any intersection of streets or highways, and shall stop and remain in such position unless otherwise directed by a law enforcement or traffic officer until the law enforcement or fire department vehicle, or the vehicle operated by the Division of Marine ~~Fisheries, Fisheries~~ of the Department of Environmental Quality, or the Division of Parks and Recreation of the Department of ~~Environment and~~ Natural and Cultural Resources, or the North Carolina Forest Service of the Department of Agriculture and Consumer Services, or the public or private ambulance or rescue squad emergency service vehicle shall have passed. Provided, however, this subsection shall not apply to vehicles traveling in the opposite direction of the vehicles herein enumerated when traveling on a four-lane limited access highway with a median divider dividing the highway for vehicles traveling in opposite directions, and provided further that the violation of this subsection shall be negligence per se. Violation of this subsection is a Class 2 misdemeanor."

SECTION 14.30.(jj) G.S. 66-58 reads as rewritten:

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

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

...
(9) The Department of ~~Environment and Natural Resources, except that the Department shall not construct, maintain, operate or lease a hotel or tourist inn in any park over which it has jurisdiction.~~ Environmental Quality. The North Carolina Wildlife Resources Commission may sell wildlife memorabilia as a service to members of the public interested in wildlife conservation.

...
(9b) The Department of Natural and Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items and revenues from public and private special events, activities, and programming at historic sites and museums administered by the Department, provided that the resulting profits are used to support the operation of historic sites or ~~museums-museums~~ and provided further that the Department shall not construct, maintain, operate, or lease a hotel or tourist inn in any park over which it has jurisdiction.

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

...
(2) The sale of learned journals, works of art, books or publications of the Department of Natural and Cultural Resources or other agencies, or the Supreme Court Reports or Session Laws of the General Assembly.

...
(9b) The Department of Natural and Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items and revenues from public and private special events, activities, and programming at historic sites and museums administered by the Department, provided that the resulting profits are used to support the operation of historic sites or ~~museums-museums~~ and provided further that the Department shall not construct, maintain, operate, or lease a hotel or tourist inn in any park over which it has jurisdiction.

...
...
SECTION 14.30.(kk) G.S. 74-50(b3) reads as rewritten:

"(b3) When the Department receives an application for a new mining permit or for a modification of a mining permit to add land to the permitted area, the Department shall send a notice of the application to each of the following agencies with a request that each agency

review and provide written comment on the application within 30 days of the date on which the request is made:

- (1) Division of Air Quality, Department of ~~Environment and Natural Resources~~.Environmental Quality.
- (2) Division of Parks and Recreation, Department of ~~Environment and Natural and Cultural Resources.~~
- (3) Repealed by Session Laws 2013-413, s. 57(b), effective August 23, 2013.
- (4) Division of Water Resources, Department of ~~Environment and Natural Resources~~.Environmental Quality.
- (5) North Carolina Geological Survey, Division of Energy, Mineral, and Land Resources, Department of ~~Environment and Natural Resources~~.Environmental Quality.
- (6) Wildlife Resources Commission, Department of ~~Environment and Natural Resources~~.Environmental Quality.
- (7) Office of Archives and History, Department of Natural and Cultural Resources.
- (8) United States Fish and Wildlife Service, United States Department of the Interior.
- (9) Any other federal or State agency that the Department determines to be appropriate, including the Division of Coastal Management, ~~Department of Environment and Natural Resources~~; the Division of Marine Fisheries, ~~Department of Environment and Natural Resources~~; and the Division of Waste Management, Management of the Department of Environment and Natural Resources; Environmental Quality, and the Department of Transportation."

SECTION 14.30.(ii) G.S. 106-202.17(b) reads as rewritten:

"(b) The Scientific Committee shall consist of the Directors of The University of North Carolina at Chapel Hill Herbarium, the North Carolina State University Herbarium, the North Carolina Botanical Garden of The University of North Carolina at Chapel Hill, the North Carolina State Museum of Natural Sciences of the Department of Natural and Cultural Resources, and the North Carolina Natural Heritage Program of the Department of ~~Environment and Natural Resources~~.Environmental Quality or their designees, a representative of the North Carolina Association of Nurserymen, Inc., appointed by the Commissioner, and a representative of a conservation organization, appointed by the Commissioner. Members shall serve for three-year terms and may succeed themselves."

SECTION 14.30.(mm) G.S. 106-803(a) reads as rewritten:

"§ 106-803. Siting requirements for swine houses, lagoons, and land areas onto which waste is applied at swine farms.

- (a) A swine house or a lagoon that is a component of a swine farm shall be located:
 - (1) At least 1,500 feet from any occupied residence.
 - (2) At least 2,500 feet from any school; hospital; church; outdoor recreational facility; national park; State Park, as defined in ~~G.S. 113-44.9;~~ G.S. 143B-135.44; historic property acquired by the State pursuant to G.S. 121-9 or listed in the North Carolina Register of Historic Places pursuant to G.S. 121-4.1; or child care center, as defined in G.S. 110-86, that is licensed under Article 7 of Chapter 110 of the General Statutes.
 - (3) At least 500 feet from any property boundary.
 - (4) At least 500 feet from any well supplying water to a public water system, as defined in G.S. 130A-313.
 - (5) At least 500 feet from any other well that supplies water for human consumption. This subdivision does not apply to a well located on the same parcel or tract of land on which the swine house or lagoon is located and that supplies water only for use on that parcel or tract of land or for use on adjacent parcels or tracts of land all of which are under common ownership or control."

SECTION 14.30.(nn) G.S. 113-8 reads as rewritten:

"§ 113-8. Powers and duties of the Department.

The Department shall make investigations of the natural resources of the State, and take such measures as it may deem best suited to promote the conservation and development of such resources.

It shall have the protection of lands and water supplies; it shall also have the care of ~~State parks, and other~~ recreational areas now owned or to be acquired by the State, including the lakes referred to in G.S. 146-7.

It shall make such examination, survey and mapping of the geology, mineralogy and topography of the State, including their industrial and economic utilization, as it may consider necessary; make investigations of water supplies and water powers, prepare and maintain a general inventory of the water resources of the State, and take such measures as it may consider necessary to promote their development.

It shall have the duty of enforcing all laws relating to the conservation of marine and estuarine resources.

The Department may take such other measures as it may deem advisable to obtain and make public a more complete knowledge of the State and its resources, and it is authorized to cooperate with other departments and agencies of the State in obtaining and making public such information.

The Department may acquire such real and personal property as may be found desirable and necessary for the performance of the duties and functions of the Department and pay for same out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired shall be in the name of the State of North Carolina for the use and benefit of the Department."

SECTION 14.30.(oo) G.S. 113-28.1 reads as rewritten:

"§ 113-28.1. Designated employees commissioned special peace officers by Governor.

Upon application by either the Secretary of ~~Environment and Natural Resources, Natural and Cultural Resources~~ or the Secretary of Environmental Quality, the Governor is hereby authorized and empowered to commission as special peace officers such of the employees of the ~~Department of Environment and Natural Resources~~ Departments as the Secretary may designate for the purpose of enforcing the laws and rules enacted or adopted for the protection, preservation and government of State parks, lakes, reservations and other lands or waters under the control or supervision of the ~~Department of Environment and Natural Resources~~ respective Departments."

SECTION 14.30.(pp) G.S. 113-28.2 reads as rewritten:

"§ 113-28.2. Powers of arrest.

Any employee of either the Department of ~~Environment and Natural and Cultural Resources~~ or the Department of Environmental Quality commissioned as a special peace officer shall have the right to arrest with warrant any person violating any law or rule on or relating to the State parks, lakes, reservations and other lands or waters under the control or supervision of the ~~Department of Environment and Natural Resources~~ employee's respective Department, and shall have the power to pursue and arrest without warrant any person violating in his presence any law or rule on or relating to said parks, lakes, reservations and other lands or waters under the control or supervision of the ~~Department of Environment and Natural Resources~~ employee's respective Department."

SECTION 14.30.(qq) G.S. 113-28.2A reads as rewritten:

"§ 113-28.2A. Cooperation between law enforcement agencies.

Special peace officers employed by either the Department of ~~Environment and Natural and Cultural Resources~~ or the Department of Environmental Quality are officers of a "law enforcement agency" for purposes of G.S. 160A-288, and ~~the each~~ Department shall have the same authority as a city or county governing body to approve cooperation between law enforcement agencies under that section."

SECTION 14.30.(rr) G.S. 113-28.4 reads as rewritten:

"§ 113-28.4. Oaths required.

Before any employee of either the Department of ~~Environment and Natural and Cultural Resources~~ or the Department of Environmental Quality commissioned as a special peace officer shall exercise any power of arrest under this ~~Article~~ Article, the employee shall take the oaths required of public officers before an officer authorized to administer oaths."

SECTION 14.30.(ss) G.S. 113-307.1(a) reads as rewritten:

"(a) The consent of the General Assembly of North Carolina is hereby given to the making by the Congress of the United States, or under its authority, of all such rules and regulations as the federal government shall determine to be needful in respect to game animals, game and nongame birds, and fish on such lands in the western part of North Carolina as shall have been, or may hereafter be, purchased by the United States under the terms of the act of Congress of March 1, 1911, entitled "An act to enable any state to cooperate with any other state or states, or with the United States, for the protection of the watersheds of navigable streams, and to appoint a commission for the acquisition of lands for the purposes of conserving the navigability of navigable rivers" (36 Stat. 961), and acts of Congress supplementary thereto and amendatory thereof, and in or on the waters thereon.

Nothing in this subsection shall be construed as conveying the ownership of wildlife from the State of North Carolina or permit the trapping, hunting, or transportation of any game animals, game or nongame birds, or fish by any person, including any agency, department, or instrumentality of the United States or agents thereof, on the lands in North Carolina, as shall have been or may hereafter be purchased by the United States under the terms of any act of Congress, except in accordance with the provisions of this Subchapter and its implementing regulations. Provided, that the provisions of ~~G.S. 143-39~~ G.S. 143B-135.20 apply with respect to licenses.

Any person, including employees or agents of any department or instrumentality of the United States, violating the provisions of this subsection is guilty of a Class 1 misdemeanor."

SECTION 14.30.(tt) G.S. 120-306(a)(1)c. is repealed.

SECTION 14.30.(uu) G.S. 121-7.7(c) reads as rewritten:

"(c) Reports. – The Department of Natural and Cultural Resources must submit to the Joint Legislative Commission on Governmental Operations, the chairs of the House of Representatives and Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Subcommittees Committee on General Government, Natural and Economic Resources, and the Fiscal Research Division by September 30 of each year a report on the Fund that includes the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 14.30.(vv) G.S. 121-21.1(c) reads as rewritten:

"(c) The Tryon Palace Commission shall submit to the Joint Legislative Commission on Governmental Operations, the House and of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Subcommittees Committee on General Government, Natural and Economic Resources, and the Fiscal Research Division by September 30 of each year a report on the Tryon Palace Historic Sites and Gardens Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 14.30.(ww) G.S. 136-44.12 reads as rewritten:

"§ **136-44.12. Maintenance of roads and parking lots in areas administered by the Division of Parks and Recreation.**

The Department of Transportation shall maintain all roads and parking lots which are not part of the State Highway System, leading into and located within the boundaries of all areas administered by the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~.

All such roads and parking lots shall be planned, designed, and engineered through joint action between the Department of Transportation and the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~. This joint action shall encompass all accepted park planning and design principles. Particular concern shall be given to traffic counts and vehicle weight, minimal cutting into or through any natural and scenic areas, width of shoulders, the cutting of natural growth along roadways, and the reduction of any potential use of roads or parking lots for any purpose other than by park users. All State park roads and parking lots shall conform to the standards regarding width and other roadway specifications as agreed upon by the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~ and the Department of Transportation.

The State park road systems may be closed to the public in accordance with approved park practices that control the use of State areas so as to protect these areas from overuse and abuse and provide for functional use of the park areas, or for any other purpose considered in the best

interest of the public by the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~.

Nothing herein shall be construed to include the transfer to the Department of Transportation the powers now vested in the Division of Parks and Recreation of the Department of ~~Environment and Natural and Cultural Resources~~ relating to the patrol and safeguarding of State park roads or State park parking lots."

SECTION 14.30.(xx) G.S. 143-116.8 reads as rewritten:

"§ 143-116.8. Motor vehicle laws applicable to State parks and forests road system.

(a) Except as otherwise provided in this section, all the provisions of Chapter 20 of the General Statutes relating to the use of highways and public vehicular areas of the State and the operation of vehicles thereon are made applicable to the State parks and forests road system. For the purposes of this section, the term "State parks and forests road system" shall mean the streets, alleys, roads, public vehicular areas and driveways of the State parks, State forests, State recreation areas, State lakes, and all other lands administered by the Department of ~~Environment and Natural and Cultural Resources~~ or the Department of Agriculture and Consumer Services. This term shall not be construed, however, to include streets that are a part of the State highway system. Any person violating any of the provisions of Chapter 20 of the General Statutes hereby made applicable in the State parks and forests road system shall, upon conviction, be punished in accordance with Chapter 20 of the General Statutes. Nothing herein contained shall be construed as in any way interfering with the ownership and control of the State parks road system by the Department of ~~Environment and Natural and Cultural Resources~~ and the forests road system by the Department of Agriculture and Consumer Services.

(b) (1) It shall be unlawful for a person to operate a vehicle in the State parks road system at a speed in excess of twenty-five miles per hour (25 mph). When the Secretary of ~~Environment and Natural and Cultural Resources~~ determines that this speed is greater than reasonable and safe under the conditions found to exist in the State parks road system, the Secretary may establish a lower reasonable and safe speed limit. No speed limit established by the Secretary pursuant to this provision shall be effective until posted in the part of the system where the limit is intended to apply.

...

(c) The Secretary of ~~Environment and Natural and Cultural Resources~~ may, by rule, regulate parking and establish parking areas, and provide for the removal of illegally parked motor vehicles on the State parks road system, and the Commissioner of Agriculture may, by rule, regulate and establish parking areas and provide for the removal of illegally parked motor vehicles on the State forests road system. Any rule of the Secretary or the Commissioner shall be consistent with the provisions of G.S. 20-161, 20-161.1, and 20-162. Any removal of illegally parked motor vehicles shall be in compliance with Article 7A of Chapter 20 of the General Statutes.

(d) A violation of the rules issued by the Secretary of ~~Environment and Natural and Cultural Resources~~ or the Commissioner of Agriculture under subsection (c) of this section is an infraction pursuant to G.S. 20-162.1, and shall be punished as therein provided. These rules may be enforced by the Commissioner of Motor Vehicles, the Highway Patrol, forest law enforcement officers, or other law enforcement officers of the State, counties, cities or other municipalities having authority under Chapter 20 of the General Statutes to enforce laws or rules on travel or use or operation of vehicles or the use or protection of the highways of the State.

...

(f) Notwithstanding any other provision of this section, a person may petition the Department of ~~Environment and Natural and Cultural Resources~~ for a waiver authorizing the person to operate a vehicle in the State parks road system at a speed in excess of 25 miles per hour in connection with a special event. The Secretary may impose any conditions on a waiver that the Secretary determines to be necessary to protect public health, safety, welfare, and the natural resources of the State park. These conditions shall include a requirement that the person receiving the waiver execute an indemnification agreement with the Department and obtain general liability insurance in an amount not to exceed three million dollars (\$3,000,000) covering personal injury and property damage that may result from driving in excess of 25 miles per hour in the State parks road system subject to the conditions determined by the Secretary.

...."

SECTION 14.30.(yy) G.S. 143-129.8A(a) reads as rewritten:

"(a) Exemption. – The North Carolina Zoological Park is a State entity whose primary purpose is the attraction of, interaction with, and education of the public regarding issues of global conservation, ecological preservation, and scientific exploration, and that purpose presents unique challenges requiring greater flexibility and faster responsiveness in meeting the needs of and creating the attractions for the Park. Accordingly, the Department of ~~Environment and Natural and Cultural Resources~~ may use the procedure set forth in this section, in addition to or instead of any other procedure available under North Carolina law, to contract with a non-State entity on behalf of the Park for the acquisition of goods and services where: (i) the contract directly results in the generation of revenue for the State of North Carolina or (ii) the use of the acquired goods and services by the Park results in increased revenue or decreased expenditures for the State of North Carolina."

SECTION 14.30.(zz) G.S. 143-135.9(e) reads as rewritten:

"(e) North Carolina Zoological Park. – The acquisition of goods and services under a contract entered pursuant to the exemption of G.S. 143-129.8A(a) by the Department of ~~Environment and Natural and Cultural Resources~~ on behalf of the North Carolina Zoological Park may be conducted using the Best Value procurement method. For acquisitions which the procuring agency deems to be highly complex, the use of Government-Vendor partnership is authorized."

SECTION 14.30.(aaa) G.S. 143-215.31(e) reads as rewritten:

"(e) The minimum streamflow in the length of the stream affected by a dam to which subsections (c) and (d) of this section do not apply shall be established as provided in subsection (b) of this section. Subsections (c) and (d) of this section do not apply if the length of the stream affected:

- (1) Receives a discharge of waste from a treatment works for which a permit is required under Part 1 of this Article; or
- (2) Includes any part of a river or stream segment that:
 - a. Is designated as a component of the State Natural and Scenic Rivers System by ~~G.S. 113A-35.1~~ G.S. 143B-135.152 or ~~G.S. 113A-35.2~~ G.S. 143B-135.154.
 - b. Is designated as a component of the national Wild and Scenic Rivers System by 16 U.S.C. § 1273 and 1274."

SECTION 14.30.(bbb) G.S. 143-215.73F reads as rewritten:

"§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund.

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, and 105-449.126. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep shallow draft navigation channels located in State waters or waters of the state located within lakes navigable and safe, or 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. 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 and Cultural 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~~ G.S. 143B-135.56 for the cost-share. 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."

SECTION 14.30.(ccc) G.S. 147-12(b) reads as rewritten:

"(b) The Department of Transportation, the Division of Adult Correction of the Department of Public Safety, the State Highway Patrol, the Wildlife Resources Commission, the Division of Parks and Recreation in the Department of ~~Environment and Natural and Natural Resources~~, and the Division of Marine Fisheries in the Department of ~~Environment and Natural Resources~~ Environmental Quality shall deliver to the Governor by February 1 of each year detailed information on the agency's litter enforcement, litter prevention, and litter removal efforts. The Administrative Office of the Courts shall deliver to the Governor, by February 1 of each year, detailed information on the enforcement of the littering laws of the State, including the number of charges and convictions under the littering laws of the State. The Governor shall gather the information submitted by the respective agencies and deliver a consolidated annual report, on or before March 1 of each year, to the Environmental Review Commission, the Joint Legislative Transportation Oversight Committee, and the House of Representatives and the Senate ~~Appropriations Subcommittees on Natural and Economic Resources~~ appropriations committees with jurisdiction over natural and economic resources."

SECTION 14.30.(ddd) The title of Article 2 of Chapter 143B of the General Statutes reads as rewritten:

"Article 2.

"Department of Natural and Cultural Resources."

SECTION 14.30.(eee) The title of Article 7 of Chapter 143B of the General Statutes reads as rewritten:

"Article 7.

"Department of ~~Environment and Natural Resources~~ Environmental Quality."

SECTION 14.30.(fff) G.S. 143B-50 reads as rewritten:

"§ 143B-50. Duties of the Department.

It shall be the duty of the Department to do the following:

- (1) To provide the necessary management, development of policy and establishment and enforcement of standards for the furtherance of resources, services and programs involving the arts and the historical and cultural aspects of the lives of the citizens of North Carolina.
- (2) To provide and keep a museum or collection of the natural history of the State and to maintain the North Carolina Biological Survey."

SECTION 14.30.(ggg) G.S. 143B-53 reads as rewritten:

"§ 143B-53. Organization of the Department.

(a) The Department of Cultural Resources shall be organized initially to include the Art Commission, the Art Museum Building Commission, the North Carolina Historical Commission, the Tryon Palace Commission, the U.S.S. North Carolina Battleship Commission, the Sir Walter Raleigh Commission, the Executive Mansion Fine Arts Committee, the American Revolution Bicentennial Committee, the North Carolina Awards Committee, the America's Four Hundredth Anniversary Committee, the North Carolina Arts Council, the Public Librarian Certification Commission, the State Library Commission, the North Carolina Symphony Society, Inc., and the Division of the State Library, the Division of Archives and History, the Division of the Arts, and such other divisions as may be established under the provisions of the Executive Organization Act of 1973.

(b) The Department of Natural and Cultural Resources shall include the currently existing entities listed in subsection (a) of this section and the following additional entities:

- (1) The Parks and Recreation Division.
- (2) The State Parks System, including Mount Mitchell State Park.
- (3) The North Carolina Aquariums Division.
- (4) The North Carolina Zoological Park.
- (5) The Museum of Natural Sciences.
- (6) The Clean Water Management Trust Fund.
- (7) The Natural Heritage Program.
- (6) North Carolina Parks and Recreation Authority.
- (7) North Carolina Trails Committee.
- (8) North Carolina Zoological Park Council.
- (9) Advisory Commission for North Carolina State Museum of Natural Sciences."

SECTION 14.30.(hhh) G.S. 143B-53.3(c) reads as rewritten:

"(c) Reports. – The Department of Natural and Cultural Resources shall submit a report by September 30 of each year to the Joint Legislative Commission on Governmental Operations, the chairs of the House of Representatives Appropriations Subcommittee Committee on General Government, Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on General Government and Information Technology, Natural and Economic Resources, and the Fiscal Research Division. This report shall include the source and amount of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 14.30.(iii) G.S. 143B-87.2(c) reads as rewritten:

"(c) Reports. – The Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee Committee on General Government, Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on General Government and Information Technology, Natural and Economic Resources, and the Fiscal Research Division by September 30 of each year that includes the source and amount of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 14.30.(jjj) G.S. 143B-131.4 reads as rewritten:

"§ 143B-131.4. Commission reports.

The Commission shall submit a quarterly report to the Chairs of the House of Representatives Appropriations Subcommittee Committee on General Government and Agriculture and Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on General Government and Information Technology Natural and Economic Resources, and to the Fiscal Research Division of the General Assembly. The report shall include:

- (1) A summary of actions taken by the Commission consistent with the powers and duties of the Commission set forth in G.S. 143B-131.2.
- (2) Recommendations for legislation and administrative action to promote and develop the Elizabeth II State Historic Site and Visitor Center.
- (3) An accounting of funds received and expended."

SECTION 14.30.(kkk) G.S. 143B-279.2(2a) is repealed.

SECTION 14.30.(lll) Subdivisions (9) and (12) of subsection (a) and subdivisions (17), (19), and (22) of subsection (b) of G.S. 143B-279.3 are repealed.

SECTION 14.30.(mmm) G.S. 143B-344.49 reads as rewritten:

"§ 143B-344.49. Definitions.

The following definitions apply to this Part:

- (1) Applicant. – A member of the family residing in the dwelling unit, the owner, or designated agent of the owner of a dwelling unit applying for program services.
- (2) Department. – The Environment and Natural Resources Department of Environmental Quality.
- (3) Secretary. – The Secretary of the Department of Environment and Natural Resources Environmental Quality.
- (4) Subgrantee. – An entity managing a weatherization project that receives a federal grant of funds awarded pursuant to 10 C.F.R. § 440 (1 January 2006 edition) from this State or other entity named in the Notification of Grant Award and otherwise referred to as the grantee.
- (5) Weatherization. – The modification of homes and home heating and cooling systems to improve heating and cooling efficiency by caulking and weather stripping, as well as insulating ceilings, attics, walls, and floors."

SECTION 14.30.(nnn) G.S. 146-29.2(e) reads as rewritten:

"(e) Land in the State Parks System, as defined in ~~G.S. 113-449.9~~, G.S. 143B-135.44, may only be leased or conveyed for the purposes of this section upon the approval of the Secretary of the Department of Environment and Natural and Cultural Resources. Lease or conveyance of land in the State Parks System for the purposes of this section shall comply with the requirements of ~~Articles 2 and 2C of Chapter 113 Parts 31 and 32 of Article 7 of Chapter 143B~~ of the General Statutes. When selecting a location for a communications tower or antenna in the State Parks System, the State shall choose a location that minimizes the visual impact on the surrounding landscape. No land acquired or developed using funds from the Federal Land and Water Conservation Fund shall be leased or conveyed for the purposes of this section."

TRANSFERS OF POSITIONS AND LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 14.30.(nnn1) In order to ensure that the Department of Natural and Cultural Resources has sufficient staff to manage the additional workload as a result of the transfer of the North Carolina Zoo, North Carolina Aquariums, North Carolina Museum of Natural Sciences, Clean Water Management Trust Fund, Natural Heritage Program, and the North Carolina State Parks from the Department of Environmental Quality, the Department may use up to two million one hundred thirty-eight thousand forty-five dollars (\$2,138,045) generated from the vacant positions eliminated in subsection (nnn3) of this section to reestablish administrative positions for that purpose.

SECTION 14.30.(nnn2) The following filled positions shall be transferred from the Department of Environmental Quality to the Department of Natural and Cultural Resources:

60036042	Purchaser	(1.0)
60035954	Administrative Assistant III	(1.0)
60036013	Accounting Technician	(1.0)

SECTION 14.30.(nnn3) The following 24.94 vacant positions shall be eliminated from the Department of Environmental Quality:

60036186	Chief Deputy II	(1.0)
60032766	Accountant	(1.0)
60036006	Accounting Technician	(1.0)
60035955	Administrative Operations Director	(1.0)
60034828	Agency Legal Specialist II	(1.0)
60036023	Auditor	(1.0)
60036029	Budget Manager	(1.0)
60036031	Budget Analyst	(1.0)
60036034	Budget Analyst	(1.0)
60036060	Business and Technology Applic Specl	(1.0)
60036063	Business and Technology Applic Specl	(1.0)
60035958	Environmental Program Supervisor II	(1.0)
60035318	IT Security Specialist	(1.0)
60035984	Personnel Analyst	(1.0)
60035996	Personnel Assistant IV	(1.0)
60035952	Policy Development Analyst	(1.0)
60035976	Policy Development Analyst	(1.0)
60036039	Purchaser	(1.0)
60036041	Purchaser	(1.0)
60035986	W/A Recruitment Analyst	(1.0)
60035829	Staff Development Coordinator	(1.0)
60034553	Staff Development Specialist	(1.0)
60034575	Technology Support Analyst	(1.0)
60035501	Technology Support Analyst	(1.0)
60035496	Office Assistant III	(0.40)
60035953	Ombudsman	(0.54)

Prior to elimination, the Department of Environmental Quality shall convert any positions listed in this subsection supported in whole or in part by receipts to support from General Fund appropriations.

SECTION 14.30.(nnn4) The following 12.45 filled positions shall be transferred from the Department of Environmental Quality to the Department of Natural and Cultural Resources, and the Department of Natural and Cultural Resources may reclassify or eliminate these positions as needed for the efficient operation of the Department:

60036012	Accountant	(1.0)
60036004	Accounting Technician	(1.0)
60036014	Accounting Technician	(1.0)
60036017	Accounting Technician	(1.0)
60036019	Accounting Technician	(1.0)
60035979	Artist Illustrator	(1.0)
60035971	Attorney II	(1.0)
65010186	Engineer	(1.0)

60035949	HR Representative	(1.0)
60035991	EEO Administrator	(1.0)
60035950	GS 5th Floor Receptionist	(1.0)
60035942	Special Assistant	(1.0)
60032527	Info Communication Specialist	(0.45)

The funds generated from reclassification or elimination of positions under this subsection may be used by the Department of Natural and Cultural Resources to establish new administrative positions. Prior to transfer, the Department of Environmental Quality shall convert any positions listed in this subsection supported in whole or in part by receipts to support from General Fund appropriations.

BUDGETARY TRANSITION PROVISIONS

SECTION 14.30.(ppp) The Office of State Budget and Management shall ensure that future budget documents show the Department of Natural and Cultural Resources, as renamed and reorganized by this section, in the Natural and Economic Resources section of the budget.

SECTION 14.30.(qqq) The Department of Natural and Cultural Resources shall transfer to the Department of Environmental Quality any funds necessary to cover expenses incurred in fiscal year 2015-2016 prior to the effective date of this section, and any outstanding liabilities of the attractions, divisions, or entities transferred by this section that come due to the Department of Environmental Quality on or after July 1, 2015.

INVENTORY OF POLICIES

SECTION 14.30.(rrr) The Secretary of the Department of Environmental Quality shall inventory and compile all written and stated policies throughout the Department related to the North Carolina Aquariums, the North Carolina State Parks, the North Carolina Zoo, Clean Water Management Trust Fund, Natural Heritage Program, and the North Carolina Museum of Natural Sciences and provide those policies to the Secretary of the Department of Natural and Cultural Resources. The purpose of the inventory is to provide a comprehensive listing to the Secretary of the Department of Natural and Cultural Resources to allow the Secretary to adopt and ratify all existing policies, processes, and procedures pertaining to the operations and general administration of the North Carolina Aquariums, the North Carolina State Parks, the North Carolina Zoo, and the North Carolina Museum of Natural Sciences.

REPORTING AND TREATMENT OF OTHER PORTIONS OF ACT

SECTION 14.30.(sss) The Office of State Budget and Management, in consultation with the Department of Environment and Natural Resources and the Department of Cultural Resources, shall make the following reports on progress implementing this section to the Environmental Review Commission, the Senate and the House of Representatives appropriations committees with jurisdiction over natural and cultural resources, and the Fiscal Research Division:

- (1) An interim report on or before January 1, 2016.
- (2) A final report on or before April 1, 2016.

These reports shall include the proposed new organization structure, including proposed movement of positions or funds between fund codes, and may include any recommendations for changes to the statutes revised or recodified by this section.

SECTION 14.30.(ttt) Any references in this act to any program, office, section, division, council, or committee transferred under this section shall be construed to be consistent with the transfers under this section.

STUDY FURTHER EFFICIENCIES IN ORGANIZATION OF DEPARTMENT OF NATURAL AND CULTURAL RESOURCES AND DEPARTMENT OF ENVIRONMENTAL QUALITY

SECTION 14.31.(a) The Department of Cultural Resources, in consultation with the Department of Environment and Natural Resources and the Wildlife Resources Commission, shall study and report on the potential for efficiency, cost savings, and alignment of core mission and values that would be created from the transfer of the following agencies, divisions, or programs to the reorganized Department of Natural and Cultural Resources created by Section 14.30 of this act:

- (1) Albemarle-Pamlico National Estuary Partnership.
- (2) Coastal Reserves Program.
- (3) Office of Land and Water Stewardship.
- (4) All or a portion of the Office of Environmental Education and Public Affairs.
- (5) Division of Marine Fisheries.
- (6) Wildlife Resources Commission.

SECTION 14.31.(b) The Department shall report as required by subsection (a) of this section no later than April 1, 2016, to the chairs of the Senate Appropriations Committee on Natural and Economic Resources, the chairs of the House Appropriations Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

**TECHNICAL CORRECTION RELATING TO ROANOKE ISLAND COMMISSION
LEGAL COUNSEL**

SECTION 14.33. G.S. 143B-131.7 is repealed.

PART F FUNDS

SECTION 14.34. Of the funds appropriated in this act to the Parks and Recreation Trust Fund, the sum of fifty thousand dollars (\$50,000) in nonrecurring funds for the 2015-2016 fiscal year shall be used to provide a greenway planning grant to a county that is impacted by a spill from a coal ash pond.

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 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-434.1 reads as rewritten:

"§ 143B-434.1. The North Carolina Travel and Tourism Board – creation, duties, membership.

(a) There is created within the Department of Commerce the North Carolina Travel and Tourism Board. The Secretary of Commerce and the ~~Director of the Division of Tourism, Film, and Sports Development~~nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b) to promote and market tourism will work with the Board to fulfill the duties and requirements set forth in this section, and to promote the sound development of the travel and tourism industry in North Carolina.

(b) The function and duties of the Board shall be:

...
(2) To advise the Secretary of Commerce in the development of a budget for the ~~Division of Tourism, Film, and Sports Development~~achieving the goals of the Travel and Tourism Policy Act, as provided in G.S. 143B-434.2.

...
(6) To advise the Secretary of Commerce from time to time as to the effectiveness of the overall operations of the ~~Division of Tourism, Film, and Sports Development~~travel and tourism programs under the authority of the Department of Commerce.

...
(8) To advise the Secretary of Commerce upon any matter that the ~~Secretary, Governor, or Director of the Division of Tourism, Film, and Sports Development~~Secretary, chief executive officer of the nonprofit corporation, or Governor may refer to it.

(c) The Board shall consist of 29 members as follows:

...
(2) The ~~Director of the Division of Tourism, Film, and Sports Development~~chief executive officer of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b), who shall not be a voting member.

...
(d) The members of the Board shall serve the following terms: the Secretary of Commerce, the ~~Director of the Division of Tourism, Film, and Sports Development~~chief executive officer of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b), the Chairperson of the Travel and Tourism Coalition, the President of the North Carolina Travel Industry Association, and the President of the North Carolina Chamber shall serve on the Board while they hold their respective offices. Each member of the Board appointed by the Governor shall serve during his or her term of office. The members of the Board appointed by the General Assembly shall serve two-year terms beginning on January 1 of odd-numbered years and ending on December 31 of the following year. The first such term shall begin on January 1, 1991, or as soon thereafter as the member is appointed to the Board, and end on December 31, 1992. All other members of the Board shall serve a term which consists of the portion of calendar year 1991 that remains following their appointment or designation and, thereafter, two-year terms which shall begin on January 1 of an

even-numbered year and end on December 31 of the following year. The first such two-year term shall begin on January 1, 1992, and end on December 31, 1994.

...
(g) Board members who are employees of the State shall receive travel allowances at the rate set forth in G.S. 138-6. Board members who are legislators shall be reimbursed for travel and subsistence in accordance with G.S. 120-3.1. All other Board members, except those serving pursuant to subdivisions (3) through (10) of subsection (c) of this section, shall receive per diem, subsistence, and travel expenses at the rate set forth in G.S. 138-5. Board members serving pursuant to subdivisions (3) through (10) of subsection (c) of this section shall not receive per diem, subsistence, or travel expenses. The expenses set forth in this section shall be paid by the ~~Division of Tourism, Film, and Sports Development of the Department of Commerce.~~

...."
SECTION 15.4.(c) 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 which 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:

...."
SECTION 15.4.(d) G.S. 143B-437.02A reads as rewritten:
"§ 143B-437.02A. (Expires July 1, 2020) The Film and Entertainment Grant Fund.

...
(f) NC Film Office. – To claim a grant under this section, a production company must notify the ~~Division of Tourism, Film, and Sports Development in the Department of Commerce~~ of its intent to apply for a grant. The notification must include the title of the production, the name of the production company, a financial contact for the production company, the proposed dates on which the production company plans to begin filming the production, and any other information required by the ~~Division.~~Department.

...."
SECTION 15.4.(e) 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.(f) 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 section.

SECTION 15.4.(g) 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 October 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 are limited to critical public water and wastewater projects and associated connections to the new lines located on private property of eligible homeowners, consistent with federal law. Notwithstanding any State law or rule, eligible activities as defined in this subsection are limited only by applicable HUD regulations and federal law. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

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 CDBG funds and surplus federal administrative funds as they are identified throughout each program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds, unless otherwise expressly provided by law:

- (1) All surplus federal administrative funds shall be divided equally between the Department of Commerce and the Department of Environment and Natural Resources and shall be used as provided in subdivisions (3) and (4) of this subsection.
- (2) In the 2015-2017 fiscal biennium, the Department of Commerce shall use the sum of five million nine hundred eight thousand four hundred ninety-seven dollars (\$5,908,497) in deobligated CDBG funds as follows:
 - a. Four million six hundred fifty-eight thousand four hundred ninety-seven dollars (\$4,658,497) for:
 1. Providing public services and public facilities. The category of public services includes providing substance abuse services and employment services, including job training, to homeless and at-risk veterans in the State.
 2. If House Bill 108, 2015 Regular Session, becomes law, providing up to one million dollars (\$1,000,000) in the 2016-2017 fiscal year to be used to fund a loan fund for site, infrastructure, and building development. Program income generated from awards made from the loan fund shall be captured in the existing CDBG revolving loan fund.
 - b. Five hundred thousand dollars (\$500,000) for existing CDBG programs that encounter cost overruns.
 - c. Up to seven hundred fifty thousand dollars (\$750,000) for providing training and guidance to local governments relative to the CDBG program, its management, and administration requirements.
- (3) All deobligated CDBG funds that arise in a category that the Department of Commerce is responsible for administering after the provisions of subdivision (2) of this subsection have been met, and any 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.
- (4) All deobligated CDBG funds that arise in a category that the Department of Environment and Natural Resources is responsible for administering 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.

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.

MAIN STREET SOLUTIONS FUND ALLOCATION

SECTION 15.8A.(a) Of the funds appropriated by this act to the Department of Commerce for the Main Street Solutions Fund for the 2015-2016 fiscal year, the Department shall allocate one million dollars (\$1,000,000) in nonrecurring funds for the 2015-2016 fiscal year for a downtown revitalization project that will stimulate economic growth along the main street corridor of a municipality meeting all of the following:

- (1) The municipality had a population, as of July 2013, of not fewer than 105,000 and not in excess of 110,000.
- (2) The municipality is located, in whole or in part, in a county that moved from a development tier three area status to development tier two area status in the annual ranking performed by the Department of Commerce pursuant to G.S. 143B-437.08 for the 2015 calendar year.
- (3) The municipality provides no less than one dollar forty-three cents (\$1.43) for every one dollar (\$1.00) allocated from the Fund.

SECTION 15.8A.(b) Of the funds appropriated in this act to the Department of Commerce for the Main Street Solutions Fund for the 2015-2016 fiscal year, the Department shall allocate one hundred thousand dollars (\$100,000) in nonrecurring funds for the 2015-2016 fiscal year to Renaissance West Community Initiative to provide quality housing, education, health, wellness, and opportunity.

WANCHESE MARINE INDUSTRIAL PARK

SECTION 15.8B.(a) The Department of Commerce shall transfer the cash balance remaining in Fund Code 14600-1561 on June 30 of each year to an enterprise fund created for the North Carolina Marine Industrial Park. Thereafter, the enterprise fund shall be used for the operations, maintenance, repair, and capital improvements of the Wanchese Marine Industrial Park.

SECTION 15.8B.(b) This section becomes effective June 30, 2015.

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~~ 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 November 1 and expire on October 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 October 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 subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on October 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 October 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 October 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—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.

STATE MATCH FOR REVOLUTIONARY FIBERS AND TEXTILES MANUFACTURING INNOVATION INSTITUTE GRANT PROGRAM

SECTION 15.11A. If federal funds become available for the Revolutionary Fibers and Textiles Manufacturing Innovation Institute grant program, the Department of Commerce and North Carolina State University may each use the funds available to them to meet the State match requirements.

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 STUDY IMPLEMENTING DRUG FORMULARY IN WORKERS' COMPENSATION CLAIMS

SECTION 15.13A.(a) The Industrial Commission shall study the implementation of a drug formulary in workers' compensation claims filed by State employees. The study shall consider (i) the pharmacy-related expenses incurred by the State on an annual basis in workers' compensation claims; (ii) the savings, if any, that would result from the use of a drug formulary in workers' compensation claims; (iii) whether the use of a drug formulary would result in the more efficient delivery of medications, provide workers with reasonable and necessary care, and provide a disincentive for health care providers to utilize costly name brand drugs and habit-forming opioids and narcotics; and (iv) the adoption of an appeals process that would allow health care providers and injured workers to seek approval for the use of drugs that are not on the formulary's approved list. The Industrial Commission may consider any other issues relevant to the implementation of a drug formulary in workers' compensation claims.

SECTION 15.13A.(b) By April 1, 2016, the Industrial Commission shall report its findings, including any recommendations on the implementation of a drug formulary in workers' compensation claims filed by State employees, to the chairs of the House of Representatives Health Committee and the Senate Health Care Committee and the Fiscal Research Division.

INDUSTRIAL COMMISSION/REIMBURSEMENT FOR PRESCRIPTION DRUGS AND PROFESSIONAL PHARMACEUTICAL SERVICES

SECTION 15.13B.(a) G.S. 97-26.2 reads as rewritten:

"§ 97-26.2. Reimbursement for prescription ~~drugs—drugs,~~ prescribed over-the-counter ~~drugs,~~ and professional pharmaceutical services.

(a) The reimbursement amount for prescription ~~drugs—drugs,~~ prescribed over-the-counter drugs, and professional pharmaceutical services shall be limited to the lesser of ninety-five percent (95%) of the average wholesale price (AWP) of the product, calculated on a per unit basis, as of the date of ~~dispensing—dispensing~~ or the reimbursement amount provided for in an agreement between the dispensing health care provider and the payor employer or workers' compensation insurance carrier.

(b) All of the following shall apply to the reimbursement for prescription drugs and professional pharmaceutical services:

- (1) A health care provider seeking reimbursement for ~~drugs—dispensed by a physician—health care provider—dispensed prescription drugs,~~ prescribed over-the-counter drugs, and pharmaceutical services shall include the original manufacturer's National Drug Code (NDC) number, as assigned by the United States Food and Drug Administration, on ~~the bills and reports required by this section,~~ any billing documents or invoices issued.
- (2) In no event may a ~~physician—health care provider~~ receive reimbursement in excess of ninety-five percent (95%) of the AWP of the drugs dispensed by a ~~physician, health care provider,~~ as determined by reference to the original manufacturer's NDC number.
- (3) A repackaged NDC number may not be individually used on any billing documents or invoices issued and will not be considered the original manufacturer's NDC number. A repackaged NDC number may only appear in conjunction with the manufacturer's NDC number. If a health care provider seeking reimbursement for drugs dispensed by a physician—health care provider does not include the original manufacturer's NDC number on the bills and reports required by this section, any billing documents or invoices issued, reimbursement shall be limited to one hundred percent (100%) of the AWP of the least expensive clinically equivalent drug, calculated on a per unit basis.
- (4) No outpatient health care provider, other than a licensed pharmacy, may receive reimbursement for a Schedule II controlled substance, as defined in G.S. 90-90, ~~or a~~ Schedule III controlled substance, as defined in G.S. 90-91, a Schedule IV controlled substance, as defined in G.S. 90-92, or a Schedule V controlled substance, as defined in G.S. 90-93, dispensed in excess of an initial five-day supply, commencing upon the employee's initial treatment following injury. Reimbursement under this subdivision shall be made for the five-day supply at the rates provided in this section.
- (5) For purposes of this section, the term "clinically equivalent" means a drug has chemical equivalents which, when administered in the same amounts, will provide essentially the same therapeutic effect as measured by the control of a symptom or disease."

SECTION 15.13B.(b) This section becomes effective October 1, 2015.

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.

UTILITY COMMISSION FEES AND CHARGES

SECTION 15.16A.(a) The Utilities Commission and Public Staff shall jointly review all fees and charges provided for in G.S. 62-300 to determine (i) whether the fees and charges are sufficient to cover the costs of processing the applications and filings required by G.S. 62-300 and (ii) whether new categories should be established to impose fees or charges on persons or entities who make applications or filings to the Utilities Commission but are not expressly included in any of the current categories listed in G.S. 62-300. The review may also include any other relevant matters related to fees and charges for applications and filings made to the Utilities Commission.

SECTION 15.16A.(b) By April 1, 2016, the Utilities Commission and Public Staff shall report their findings, including any recommendations on amending the fees and charges for applications and filings under G.S. 62-300, to the Joint Legislative Commission on Energy Policy, 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.

MUNICIPAL SERVICE DISTRICTS/CONTRACTS WITH PRIVATE AGENCY/TAXES/STUDY

SECTION 15.16B.(a) G.S. 160A-536 reads as rewritten:
"§ 160A-536. Purposes for which districts may be established.

...
 (d) Contracts. – A city may provide services, facilities, functions, or promotional and developmental activities in a service district with its own forces, through a contract with another governmental agency, through a contract with a private agency, or by any combination thereof. Any contracts entered into pursuant to this ~~paragraph~~ subsection shall comply with all of the following criteria:

- (1) ~~specify~~ The contract shall specify the purposes for which city moneys are to be ~~used~~ used for that service district.
- (2) ~~and~~ The contract shall require an appropriate accounting for those moneys at the end of each fiscal year or other appropriate period.

(d1) In addition to the requirements of subsection (d) of this section, if the city enters into a contract with a private agency for a service district under subdivision (a)(1a), (2), or (2a) of this section, the city shall comply with all of the following:

- (1) The city shall solicit input from the residents and property owners as to the needs of the service district prior to entering into the contract.
- (2) Prior to entering into, or the renewal of, any contract under this section, the city shall use a bid process to determine which private agency is best suited to achieve the needs of the service district. The city shall determine criteria for selection of the private agency and shall select a private agency in accordance with those criteria. If the city determines that a multiyear contract with a private agency is in the best interest of the city and the service district, the city may enter into a multiyear contract not to exceed five years in length.
- (3) The city shall hold a public hearing prior to entering into the contract, which shall be noticed by publication in a newspaper of general circulation, for at least two successive weeks prior to the public hearing, in the service district.

- (4) The city shall require the private agency to report annually to the city, by presentation in a city council meeting and in written report, regarding the needs of the service district, completed projects, and pending projects. Prior to the annual report, the private agency shall seek input of the property owners and residents of the service district regarding needs for the upcoming year.
- (5) The contract shall specify the scope of services to be provided by the private agency. Any changes to the scope of services shall be approved by the city council.

...."

SECTION 15.16B.(b) G.S. 160A-542 reads as rewritten:

"§ 160A-542. Taxes authorized; rate limitation.

(a) A city may levy property taxes within defined service districts in addition to those levied throughout the city, in order to finance, provide or maintain for the district services provided therein in addition to or to a greater extent than those financed, provided or maintained for the entire city. In addition, a city may allocate to a service district any other revenues whose use is not otherwise restricted by law.

(b) Property subject to taxation in a newly established district or in an area annexed to an existing district is that subject to taxation by the city as of the preceding January 1.

(c) Property taxes may not be levied within any district established pursuant to this Article in excess of a rate on each one hundred dollar (\$100.00) value of property subject to taxation which, when added to the rate levied city wide for purposes subject to the rate limitation, would exceed the rate limitation established in G.S. 160A-209(d), unless that portion of the rate in excess of this limitation is submitted to and approved by a majority of the qualified voters residing within the district. Any referendum held pursuant to this ~~paragraph~~ subsection shall be held and conducted as provided in G.S. 160A-209.

(d) In setting the tax rate, the city council shall consider the current needs, as well as the long-range plans and goals for the service district. The city council shall set the tax rate so that there is no accumulation of excess funds beyond that necessary to meet current needs, fund long-range plans and goals, and maintain a reasonable fund balance. Moneys collected shall be used only for meeting the needs of the service district, as those needs are determined by the city council.

(e) This Article does not impair the authority of a city to levy special assessments pursuant to Article 10 of this Chapter for works authorized by G.S. 160A-491, and may be used in addition to that authority."

SECTION 15.16B.(c) The Legislative Research Commission shall study the feasibility of authorizing property owners within a municipal service district to petition for removal from that municipal service district. The Legislative Research Commission may consider any issues relevant to this study. The Legislative Research Commission shall report its findings and recommendations, including any proposed legislation, to the 2016 Regular Session of the 2015 General Assembly.

SECTION 15.16B.(d) Subsection (a) of this section becomes effective October 1, 2015, and applies to contracts entered into on or after that date. Subsection (b) of this section is effective for taxes imposed for taxable years beginning on or after January 1, 2016. The remainder of this section is effective when 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 four hundred forty-eight thousand four hundred thirty dollars (\$2,448,430) is allocated as grants-in-aid for the 2015-2016 fiscal year:

	2015-2016
Aurora Fossil Museum	\$60,122
Cape Fear Museum	\$70,268
Carolina Raptor Center	\$70,243
Catawba Science Center	\$80,864
Colburn Earth Science Museum, Inc.	\$61,154
Core Sound Waterfowl Museum	\$65,052
Cowan Museum of History and Science	\$58,598
Dan Nicholas Park (Rowan County)	\$58,000
Discovery Place	\$240,166
Discovery Place KIDS (Rockingham)	\$58,000
Eastern NC Regional Science Center	\$59,072
Fascinate-U	\$63,355
Granville County Museum Commission, Inc. – Harris Gallery	\$59,872
Greensboro Children's Museum	\$73,823
Greensboro Science Center	\$108,118
Hands On! – A Child's Gallery	\$60,634
Highlands Nature Center	\$61,140
Imagination Station	\$62,895
The Iredell Museums, Inc.	\$59,776
Kidsenses	\$61,604
Marbles Kids Museum	\$120,050
Museum of Coastal Carolina	\$63,510
North Carolina Estuarium	\$60,837
North Carolina Museum of Life and Science	\$151,898
Pisgah Astronomical Research Institute	\$74,592
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	\$59,844
Rocky Mount Children's Museum	\$62,636
Schiele Museum of Natural History and Planetarium, Inc.	\$85,646
Sci Works Science Center and Environmental Park of Forsyth County	\$77,444
Sylvan Heights Waterfowl Park and Eco-Center	\$66,238
Western North Carolina Nature Center	\$67,336

Wilmington Children's Museum

\$65,643

Total

\$2,448,430

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) As a condition for qualifying to receive funding under this section, all of the following documentation shall, no later than November 1, 2015, 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 Internal Revenue Service (IRS) 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.(d) As used in subsection (c) 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.(e) Each museum listed in subsection (a) of this section shall do the following:

- (1) By September 1, 2016, 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 museum's annual audited financial statement within 30 days of issuance of the statement.

GRASSROOTS SCIENCE PROGRAM/COMPETITIVE GRANT PROGRAM

SECTION 15.18A.(a) Effective July 1, 2016, the Grassroots Science Program within the Department of Commerce is transferred to the North Carolina State Museum of Natural Sciences in the Department of Natural and Cultural Resources, as enacted by Section 14.30 of this act.

SECTION 15.18A.(b) Part 40 of Article 2 of Chapter 143B of the General Statutes, as enacted by Section 14.30 of this act, is amended by adding a new section to read as follows:

"§ 143B-135.227. Grassroots science competitive grant program.

(a) The North Carolina State Museum of Natural Sciences (hereinafter "Museum of Natural Sciences") shall administer the Grassroots Science Program as a competitive grant program. Any museum in the State may apply for a grant under the program, including a museum that has received a grant-in-aid as a grassroots science museum in prior fiscal years, but grant funds shall be awarded only if the museum meets the criteria established in subsection (d) of this section. No museum shall be guaranteed a grant under the competitive grant program.

(b) For the 2016-2017 fiscal year, the Museum of Natural Sciences shall reserve seven hundred fifty thousand dollars (\$750,000) for the purpose of awarding grants to museums located in development tier one counties and six hundred thousand dollars (\$600,000) for museums located in development tier two counties. The development tier designation of a county shall be determined as provided in G.S. 143B-437.08. If, after the initial awarding of grants to all museum applicants who meet the eligibility criteria provided for in subsection (d) of this section, there are funds remaining in any development tier category, the Museum of Natural Sciences may reallocate those funds to another development tier category. The maximum amount of each grant awarded in the 2016-2017 fiscal year shall be (i) seventy-five thousand dollars (\$75,000) for a museum in a development tier one county; (ii) sixty thousand dollars (\$60,000) for a museum in a development tier two county; and (iii) fifty thousand dollars (\$50,000) for a museum in a development tier three county.

(c) Beginning July 1, 2017, it is the intent of the General Assembly that the Museum of Natural Sciences shall award grants under this program for a two-year period. For each two-year grant cycle, the Museum of Natural Sciences shall reserve the amounts for development tier one and tier two counties and shall award the maximum grant amounts for each year of the grant cycle as provided in subsection (b) of this section. All other provisions of subsections (b), (d), and (e) of this section shall apply to the two-year grants.

(d) To be eligible to receive a grant under the competitive grant program, a museum shall demonstrate:

- (1) That it is a science center or museum or a children's museum that is physically located in the State.
- (2) That it has been open, operating, and exhibiting science or science, technology, engineering, and math (STEM) education objects to the general public at least 120 days of each year for the past two or more years.
- (3) That it is a nonprofit organization that is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Code.
- (4) That it has on its staff at least one full-time professional person.
- (5) That its governing body has adopted a mission statement that includes language that shows the museum has a concentration on science or STEM education and that the adopted mission statement has been in effect for the past two or more years.

(e) The Museum of Natural Sciences shall, in awarding grants under this section, give priority to museums that:

- (1) When compared to other museum applicants:
 - a. Are located in counties that are more economically distressed according to the annual rankings prepared by the Department of Commerce pursuant to G.S. 143B-437.08(c).
 - b. Generate a larger portion of their operating funds from non-State revenue.
 - c. Have a higher attendance-to-population ratio.
- (2) Partner with other museums in the State to share exhibits, programs, or other activities.
- (3) Are not located in close proximity to other science or STEM education museums."

SECTION 15.18A.(c) Subsection (b) of this section becomes effective July 1, 2016.

SECTION 15.18A.(d) By March 1, 2016, the Museum of Natural Sciences shall submit guidelines for the submission of applications and the awarding of grants for the competitive grant program provided for in subsection (b) of this section 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.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15.19. Brevard Station Museum, Cleveland County ALWS Baseball, Inc., High Point Furniture Market Authority, RTI International, The Rankin Museum, Inc., 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.

LOTTERY PROCEEDS DISCLOSURE

SECTION 15.23. G.S. 18C-115 reads as rewritten:

"§ 18C-115. Reports.

(a) Reports on Operation of the Commission. – The Commission shall send quarterly and annual reports on the operations of the Commission to the Governor, State Treasurer, and to the General Assembly. The reports shall include complete statements of lottery revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery funds, including the occurrence of any audit.

(b) Disclosure of Proceeds From Lottery Funding. – Each State department or agency receiving lottery funds shall use its established communications channels to inform the public about amounts received and activities supported by lottery proceeds."

CREATE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

SECTION 15.24. Chapter 120 of the General Statutes is amended by adding a new Article to read:

"Article 36.

"Joint Legislative Oversight Committee on Natural and Economic Resources.

"§ 120-310. Creation and membership of Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

(a) The Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources is established. The Committee consists of 12 members as follows:

- (1) Six members of the Senate appointed by the President Pro Tempore of the Senate. At least three of the members shall be members of the Senate appropriations committee that has jurisdiction over the agencies set out in G.S. 120-311(a)(1).
- (2) Six members of the House of Representatives appointed by the Speaker of the House of Representatives. At least three of the members shall be members of the House of Representatives appropriations committee that has jurisdiction over the agencies set out in G.S. 120-311(a)(1).

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"§ 120-311. Purpose and powers of Committee.

(a) The Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources shall examine on a continuing basis the services provided by the

departments and agencies set out in this subsection in order to make ongoing recommendations to the General Assembly on ways to improve the effectiveness, efficiency, and quality of State government services. The Committee has the following powers and duties:

- (1) Study the programs, organization, operations, and policies of the following agencies:
 - a. Department of Agriculture and Consumer Services.
 - b. Department of Environmental Quality.
 - c. Department of Natural and Cultural Resources.
 - d. Wildlife Resources Commission.
 - e. Department of Labor.
 - f. Department of Commerce.
 - g. Any other agency under the jurisdiction of the Senate and House of Representatives appropriations committees on agriculture, natural, or economic resources.
- (2) Review compliance of budget actions directed by the General Assembly.
- (3) Monitor expenditures, deviations, and changes made by the agencies set out in subdivision (1) of this subsection to the certified budget.
- (4) Review policy changes as directed by law.
- (5) Receive presentations of reports from agencies directed in the law, including audits, studies, and other reports.
- (6) Review any issues that arise during the interim period between sessions of the General Assembly and provide a venue for any of these issues to be heard in a public setting.
- (7) Monitor the quality of services provided by cultural, natural, and economic resources agencies to other agencies and the public.
- (8) Identify opportunities for cultural, natural, and economic resources agencies to coordinate and collaborate to eliminate duplicative functions.
- (9) Have presentations and reports on any other matters that the Committee considers necessary to fulfill its mandate.

(b) The Committee may make reports to the General Assembly. A report to the General Assembly may contain legislation needed to implement a recommendation of the Committee.

"§ 120-312. 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 Agriculture and Natural and Economic Resources. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is five members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the 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 services provided by particular divisions within the State's cultural, natural, and economic resources departments.

"§ 120-313. Reports to Committee.

Whenever a department, office, or agency set out in G.S. 120-311(a)(1) is required by law to report to the General Assembly or to any of its permanent committees or subcommittees on matters affecting the services the department or agency provides, the department or agency shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources."

MODIFY FILM AND ENTERTAINMENT GRANT FUND

SECTION 15.25.(a) G.S. 143B-437.02A reads as rewritten:

"§ 143B-437.02A. (Expires July 1, 2020) The Film and Entertainment Grant Fund.

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, movies for television, productions intended for on-line distribution, and commercials and to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

- (1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:
 - a. For a feature-length film, five million dollars (\$5,000,000).
 - b. For a ~~video or television series, two hundred fifty thousand dollars (\$250,000)~~ one million dollars (\$1,000,000) per episode.
 - c. For a commercial for theatrical or television ~~viewing, viewing or on-line distribution~~, two hundred fifty thousand dollars (\$250,000).
- (2) The funds are not used to provide a grant in excess of any of the following:
 - a. An amount more than twenty-five percent (25%) of the qualifying expenses for the production.
 - b. An amount more than five million dollars (\$5,000,000) for a feature-length film, more than ~~five~~ nine million dollars ~~(\$5,000,000)~~ (\$9,000,000) for a single season of a television or video series, or two hundred fifty thousand dollars (\$250,000) for a commercial for theatrical or television ~~viewing, viewing or on-line distribution~~.

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

- (1) Department. – The Department of Commerce.
- (2) Employee. – A person who is employed for consideration ~~for at least 35 hours a week~~ and whose wages are subject to withholding under Article 4A of Chapter 105 of the General Statutes.

...
(5) Production. – Any of the following:

- a. A motion picture intended for commercial distribution to a motion picture theater or directly to the consumer viewing market that has a running time of at least 75 minutes.
- b. A ~~video or television series or a commercial for theatrical or television viewing, viewing, made-for-television movie, or production intended for on-line distribution~~. For video and television series, a production is all of the episodes of the series produced for a single season.

...
(c) Application. – A production company shall ~~apply, under oath, apply~~ to the Secretary for a grant on a form prescribed by the Secretary. The Secretary shall evaluate the applications to ensure the production's content is created for entertainment purposes. The application shall include all documentation and information the Secretary deems necessary to evaluate the grant application.

...."
SECTION 15.25.(b) G.S. 105-259(b) is amended by adding a new subdivision to read:

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

...

(34a) To exchange information concerning a grant awarded under G.S. 143B-437.02A with the Department of Revenue, the Department of Commerce, or a contractor hired by the Department of Commerce and necessary for the Department to administer the program. A contractor hired pursuant to this subdivision shall be an agent of the State subject to the provisions of this statute with respect to any tax information provided."

SECTION 15.25.(c) This section is effective when it becomes law and applies to grants awarded on or after that date.

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.

SENSITIVE PUBLIC SECURITY INFORMATION IS NOT A PUBLIC RECORD

SECTION 16A.5. G.S. 132-1.7 reads as rewritten:

"§ 132-1.7. Sensitive public security information.

(a) Public records, as defined in G.S. 132-1, shall not include information containing specific details of public security plans and arrangements or the detailed plans and drawings of public buildings and infrastructure ~~facilities~~ facilities or plans, schedules, or other documents that include information regarding patterns or practices associated with executive protection and security.

(a1) Public records, as defined in G.S. 132-1, shall not include specific security information or detailed plans, patterns, or practices associated with prison operations.

(a2) Public records, as defined in G.S. 132-1, shall not include specific security information or detailed plans, patterns, or practices to prevent or respond to criminal, gang, or organized illegal activity.

(b) Public records as defined in G.S. 132-1 do not include plans to prevent or respond to terrorist activity, to the extent such records set forth vulnerability and risk assessments, potential targets, specific tactics, or specific security or emergency procedures, the disclosure of which would jeopardize the safety of governmental personnel or the general public or the security of any governmental facility, building, structure, or information storage system.

(c) Information relating to the general adoption of public security plans and arrangements, and budgetary information concerning the authorization or expenditure of public funds to implement public security plans and arrangements, or for the construction, renovation, or repair of public buildings and infrastructure facilities shall be public records."

CLARIFY ADMINISTRATION AND ORGANIZATION OF THE LAW ENFORCEMENT FUNCTIONS OF THE DEPARTMENT OF PUBLIC SAFETY

SECTION 16A.7.(a) G.S. 143B-915 reads as rewritten:

"§ 143B-915. Bureau of Investigation created; powers and duties.

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, there is established the State Bureau of Investigation, which shall be administratively located in ~~the Division of Law Enforcement of the Department of Public Safety, but it~~ Safety. The Bureau shall be an

independent agency under the direction and supervision of the ~~Director of the Bureau. The Director shall be the chief executive officer of the Bureau.~~ Director, who shall serve as chief executive officer of the Bureau and shall be solely responsible for all management functions. Notwithstanding any provisions to the contrary, the Director shall have such authority as is necessary to direct and oversee the Bureau, and may delegate any duties and responsibilities necessary to ensure the proper management of the Bureau. The Department of Public Safety shall provide administrative support to the Bureau. The State Bureau of Investigation shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct.

In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance."

SECTION 16A.7.(b) The title of Part 4 of Article 13 of Chapter 143B of the General Statutes reads as rewritten:

"Part 4. ~~Division of Law Enforcement.~~"

SECTION 16A.7.(c) Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-916. SBI liaison.

The State Bureau of Investigation may designate liaison personnel to lobby for legislative action in accordance with Article 5 of Chapter 120C of the General Statutes."

SECTION 16A.7.(d) Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-929. Operation and management of Information Sharing and Analysis Center.

The State Bureau of Investigation shall operate and manage the Information Sharing and Analysis Center, and its operation and management shall be under the sole direction and control of the Director of the State Bureau of Investigation."

SECTION 16A.7.(e) The State Capitol Police Section shall be relocated as a section under the State Highway Patrol.

SECTION 16A.7.(f) G.S. 143B-911(a) reads as rewritten:

"(a) Section Established. – There is hereby established, ~~within the Law Enforcement Division~~ within the State Highway Patrol of the Department of Public Safety, the State Capitol Police Section, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations."

SECTION 16A.7.(g) G.S. 143B-602 reads as rewritten:

"§ 143B-602. Powers and duties of the Secretary of Public Safety.

The Secretary of Public Safety shall have the powers and duties as are conferred on the Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the Secretary by the Constitution and laws of this State. These powers and duties include the following:

...
(8) Other powers and duties. – The Secretary has the following additional powers and duties:

...
f. Appointing, with the Governor's approval, a special police officer to serve as Chief of the State Capitol Police Section of the ~~Division of Law Enforcement.~~ State Highway Patrol.

...."

SECTION 16A.7.(h) G.S. 20-196.3 reads as rewritten:

"§ 20-196.3. Who may hold supervisory positions over sworn members of the Patrol.

Notwithstanding any other provision of the General Statutes, only the following individuals may hold a supervisory position over sworn members of the Patrol:

- (1) The Governor.
- (2) The Secretary of Public Safety ~~or the Commissioner of the Law Enforcement Division.~~ Safety.

- (3) A uniformed member of the North Carolina State Highway Patrol who has met all requirements for employment within the Patrol, including completion of the basic Patrol school."

SECTION 16A.7.(i) G.S. 20-184 reads as rewritten:

"§ 20-184. Patrol under supervision of Department of Public Safety.

The Secretary of Public Safety, under the direction of the Governor, shall have supervision, direction and control of the State Highway Patrol. The Secretary shall establish in the Department of Public Safety a State Highway Patrol ~~Section, Division,~~ prescribe regulations governing the ~~Section, Division,~~ and assign to the ~~Section, Division~~ such duties as the Secretary may deem proper."

SECTION 16A.7.(j) The following statutes are amended by deleting the language "State Highway Patrol Section" wherever it appears and substituting "State Highway Patrol": G.S. 20-183.10, 20-185, 20-195, 20-196, and 105-259.

GRANTS FOR BODY-WORN VIDEO CAMERAS FOR LAW ENFORCEMENT AGENCIES

SECTION 16A.8.(a) The sum of two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds for the 2015-2016 fiscal year and the sum of two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds for the 2016-2017 fiscal year appropriated in this act to the Department of Public Safety shall be used to provide matching grants to local and county law enforcement agencies to purchase and place into service body-worn video cameras and for training and related expenses. These grant funds shall be administered by the Governor's Crime Commission, which shall develop guidelines and procedures for the administration and distribution of grants to those agencies. These guidelines and procedures shall include the following requirements and limitations:

- (1) The maximum grant amount shall not exceed one hundred thousand dollars (\$100,000).
- (2) Recipient law enforcement agencies shall be required to provide two dollars (\$2.00) of local funds for every one dollar (\$1.00) of grant funds received.
- (3) Grantees shall be required to have appropriate policies and procedures in place governing the operation of body-worn cameras and the proper storage of images recorded with those cameras.

SECTION 16A.8.(b) The Governor's Crime Commission shall submit the following reports to the 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:

- (1) No later than November 1, 2015, a report on the guidelines and procedures that will govern distribution and administration of grant funds distributed pursuant to this section.
- (2) No later than August 1, 2016, a report on the grant funds distributed pursuant to this section during the 2015-2016 fiscal year.
- (3) No later than August 1, 2017, a report on the grant funds distributed pursuant to this section during the 2016-2017 fiscal year.

SECTION 16A.8.(c) 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.

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) Seized and forfeited 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 budget of the department and shall result in an increase of law enforcement resources for the department. The Department of Public Safety and the Department of Justice 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 seized and forfeited 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 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/CREATION OF RECEIPT-SUPPORTED POSITIONS/REPORTING ON POSITIONS

SECTION 16B.4.(a) Creation of Receipt-Supported Positions Authorized. – 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) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

- (1) A list of all positions in the State Capitol Police. For each position listed, the report shall include at least the following information:
 - a. The position type.
 - b. The agency to which the position is assigned.
 - c. The source of funding for the position.

- (2) In addition to the information required by subdivision (1) of this section, for each receipt-supported position listed, the report shall include the amount of the contract and any other terms of the contract.

SECTION 16B.4.(c) Additional Reporting Required Upon Creation of Receipt-Supported Positions. – In addition to the report required by subsection (b) of this section, the State Capitol Police shall report the creation of any position pursuant to subsection (a) of 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. A report submitted pursuant to this section shall include at least the following information:

- (1) The position type.
- (2) The agency to which the position is being assigned.
- (3) The position salary.
- (4) The total amount of the contract.
- (5) The terms of the contract.

SECTION 16B.4.(d) Format of Reports. – Reports submitted pursuant to this section shall be submitted electronically and in accordance with any applicable General Assembly standards.

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 October 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 October 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. G.S. 127A-64(b) reads as rewritten:

"(b) The Department of 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.(a) 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.

SECTION 16C.3.(b) In addition to the provisions of subsection (a) of this section, the Department of Public Safety may use available funds to reopen and convert closed facilities for use as treatment and behavior modification facilities for offenders serving a period of confinement in response to violation (CRV) pursuant to G.S. 15A-1344(d2). Prior to opening a new CRV facility pursuant to this subsection, the Department of Public Safety shall consult with the Joint Legislative Oversight Committee on Justice and Public Safety on the location of the facility, the proposed staffing, estimated operational costs, opening dates, and estimated number of offenders to be served.

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 Representatives 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."

STATEWIDE MISDEMEANANT CONFINEMENT FUND/MONTHLY AND ANNUAL REPORTS/OPERATING AND ADMINISTRATIVE EXPENSES

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, 2015, 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.

SECTION 16C.6.(c) G.S. 148-10.4(e) reads as rewritten:

"(e) Operating and Administrative Expenses. – Five percent (5%) of the ~~monthly receipts collected and funds~~ credited to the Statewide Misdemeanant Confinement Fund, not to exceed the sum of one million dollars (\$1,000,000) annually, shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program and for administrative and operating expenses of the Association and its staff. One percent (1%) of the ~~monthly receipts collected and funds~~ credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated to the Division of Adult Correction for its administrative and operating expenses for the Program."

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.

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. 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.

EVALUATION REQUIREMENT FOR ELECTRICAL DEVICES

SECTION 16C.13A. G.S. 66-25 reads as rewritten:

"§ 66-25. Acceptable listings as to safety of goods.

(a) All electrical materials, devices, appliances, and equipment shall be evaluated for safety and suitability for intended use. Except as provided in subsection (b) of this section, this evaluation shall be conducted in accordance with nationally recognized standards and shall be conducted by a qualified testing laboratory. The Commissioner of Insurance, through the Engineering Division of the Department of Insurance, shall implement the procedures necessary to approve suitable national standards and to approve suitable qualified testing laboratories. The Commissioner may assign his authority to implement the procedures for specific materials, devices, appliances, or equipment to other agencies or bodies when they would be uniquely qualified to implement those procedures.

In the event that the Commissioner determines that electrical materials, devices, appliances, or equipment in question cannot be adequately evaluated through the use of approved national standards or by approved qualified testing laboratories, the Engineering Division of the Department of Insurance shall specify any alternative evaluations which safety requires.

The Engineering Division of the Department of Insurance shall keep in file, where practical, copies of all approved national standards and resumes of approved qualified testing laboratories.

(b) Electrical devices, appliances, or equipment used by the Division of Adult Correction of the Department of Public Safety ~~may be evaluated for safety and suitability by the Central Engineering Section of the Department of Public Safety. The evaluation shall be conducted in accordance with nationally recognized standards. Electrical devices, appliances, and equipment used by the Division that are not evaluated by the Central Engineering Section as provided by this subsection are subject to~~ in institutional kitchens and manufacturing equipment used by Correction Enterprises are exempt from the evaluation requirement of subsection (a) of this section."

INMATE GRIEVANCE RESOLUTION BOARD CHANGES

SECTION 16C.13B.(a) G.S. 148-118.8(a) reads as rewritten:

~~"(a) The Grievance Resolution Board shall appoint an Executive Director and grievance examiners after consultation with the Secretary of Public Safety. The Grievance Resolution Board, in consultation with the Secretary of Public Safety, shall provide the Governor with at least three nominees, and the Governor shall appoint an Executive Director from those nominees. The Grievance Resolution Board shall appoint grievance examiners. The Executive Director shall manage the staff and perform such other functions as are assigned to him the Director by the Grievance Resolution Board. The Executive Director and the shall serve at the pleasure of the Governor. The grievance examiners shall serve at the pleasure of the Grievance Resolution Board. However, if a grievance examiner is removed from his position for other than just cause, he shall have priority for any position that becomes available for which he is qualified according to rules regulating and defining priority as promulgated by the State Human Resources Commission. The grievance examiners shall be subject to Article 2 of Chapter 126 of the North Carolina General Statutes for purposes of salary and leave. Support staff, equipment, and facilities for the Board shall be provided by the Division of Adult Correction of the Department of Public Safety."~~

SECTION 16C.13B.(b) The Department of Public Safety and the Inmate Grievance Resolution Board 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 Inmate Grievance Resolution Board. The annual report shall include the following with respect to the prior fiscal year:

- (1) Brief summary of the inmate grievance process.
- (2) Number of grievances submitted to the Board.
- (3) Number of grievances resolved by the Board.
- (4) Type of grievance by category.
- (5) Number of orders filed by examiners.

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 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.

(d) 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 also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled."

STUDY MANAGEMENT AND UTILIZATION OF PROBATION AND PAROLE VEHICLES

SECTION 16C.15. The Joint Legislative Oversight Committee on Justice and Public Safety shall study the management and utilization of probation and parole vehicles and report their findings and recommendations to the General Assembly by May 1, 2016.

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES

SECTION 16C.16. Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2015-2017 fiscal biennium may be used by the Division of Adult Correction of the Department of Public Safety during the 2015-2017 fiscal biennium to provide training programs and equipment purchases for the Section of Community Corrections, but only as long as sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

OUR CHILDREN'S PLACE FUNDS

SECTION 16C.17. Notwithstanding any other provision of law, funds remaining from funds appropriated for the 2004-2005 fiscal year for Our Children's Place for planning and design may be used by Our Children's Place for general operations.

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; 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) The Joint Legislative Oversight Committee on Justice and Public Safety shall study extending the collection of DNA samples to persons arrested for any felony and shall report its findings and recommendations to the 2016 Regular Session of the 2015 General Assembly. The report shall include all of the following:

- (1) A recommended time line for implementing a requirement that DNA samples be collected for persons arrested for committing any felony.
- (2) An estimate of initial nonrecurring costs and recurring operating costs required of implementing such a requirement.
- (3) Other costs and benefits of implementing such a requirement.
- (4) An estimate of capital costs to the State of implementing such a requirement.
- (5) Any other information that the Committee deems relevant.

SECTION 17.3.(c) Subsection (a) of this section becomes effective December 1, 2015, and applies to arrests occurring on or after that date. The remainder of this section is effective on July 1, 2015.

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.

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.

...."

ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS

SECTION 18A.3.(a) 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."

SECTION 18A.3.(b) The Administrative Office of the Courts shall make the necessary modifications to its information systems to maintain the records required under G.S. 7A-350, as enacted by subsection (a) of this section.

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.(a) Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal year. 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.

SECTION 18A.5.(b) This section becomes effective June 30, 2015.

CONFERENCE OF DISTRICT ATTORNEYS GRANT FUNDS/AUTHORIZE DISTRICT ATTORNEYS TO USE CERTAIN GRANT FUNDS TO OBTAIN TOXICOLOGY ANALYSIS FROM PROVIDERS OF TOXICOLOGY ANALYSES OTHER THAN HOSPITALS

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~~ hospitals, or from other providers of toxicology analyses, 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, in coordination with the State Crime Laboratory, 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.

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.

...."

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.

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.(a) The Office of Indigent Defense Services is transferred within the Judicial Department to the Administrative Office of the Courts.

SECTION 18A.17.(b) 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~~ Except as provided otherwise by this section, the Office of Indigent Defense Services ~~shall~~ may 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 may~~ modify the budget of the Office of Indigent Defense Services or use and may use funds appropriated to the Office without the approval of the ~~Commission.~~ Commission or the Office of Indigent Defense Services."

SECTION 18A.17.(c) G.S. 7A-498.5 reads as rewritten:
"§ 7A-498.5. Responsibilities of Commission.

...
(f) ~~The Subject to G.S. 498.2(e) the~~ Commission shall establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for appointed counsel, schedules of allowable expenses, appointment and compensation of expert witnesses, and procedures for applying for and receiving compensation. The rate of compensation set for expert witnesses may be no greater than the rate set by the Administrative Office of the Courts under G.S. 7A-314(d).

(g) ~~The Commission shall approve and recommend to the General Assembly a budget for the Office of Indigent Defense Services.~~
...."

STUDY FUTURE OF INDIGENT DEFENSE SERVICES COMMISSION AND INNOCENCE INQUIRY COMMISSION

SECTION 18A.18. The Joint Legislative Oversight Committee on Justice and Public Safety 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 Joint Legislative Oversight Committee on Justice and Public Safety shall report its findings and recommendations, including any proposed legislation, to the 2015 General Assembly when it reconvenes in 2016.

ABOLISH THREE SPECIAL SUPERIOR COURT JUDGESHIPS

SECTION 18A.19. G.S. 7A-45.1 reads as rewritten:
"§ 7A-45.1. Special judges.

...
(a8) Notwithstanding any other provision of this section, the four special superior court judgeships held as of April 1, 2014, by judges whose terms expire on April 29, 2015, October 20, 2015, and December 31, 2017, and the two special superior court judgeships held as of April 1, 2015, by judges whose terms expire January 26, 2016, are abolished when any of the following first occurs:

- (1) Retirement of the incumbent judge.
- (2) Resignation of the incumbent judge.
- (3) Removal from office of the incumbent judge.
- (4) Death of the incumbent judge.
- (5) Expiration of the term of the incumbent judge.

(a9) Effective upon the retirement, resignation, removal from office, death, or expiration of the term of the special superior court judge held as of April 1, 2014, by the judge whose term expires on April 29, 2015, a new special superior court judgeship shall be created and filled through the procedure for nomination and confirmation provided for in subsection (a10) of this section. ~~Effective upon the retirement, resignation, removal from office, death, or expiration of the term of the special superior court judge held as of April 1, 2014, by the judge whose term expires on October 20, 2015, a new special superior court judgeship shall be created and filled through the procedure for nomination and confirmation provided for in subsection (a10) of this section.~~

Prior to submitting a nominee for the ~~judgeships~~ judgeship created under this subsection to the General Assembly for confirmation, the Governor shall consult with the Chief Justice to ensure that the ~~persons~~ person nominated to fill ~~these two judgeships~~ have this judgeship has the requisite expertise and experience to be designated by the Chief Justice as a business court judge under G.S. 7A-45.3, and the Chief Justice is requested to designate ~~those two judges~~ as business court judge this judge as a business court judge.

(a11) The Chief Justice is requested, pursuant to the authority under G.S. 7A-45.3 to designate business court judges, to maintain at least five business court judgeships from among the special superior court judgeships authorized under this section.

...."

COMPENSATION OF COURT REPORTERS

SECTION 18A.20. The Administrative Office of the Courts shall set the limits on compensation and allowances of court reporters provided for in G.S. 7A-95(e) and G.S. 7A-198(f) during the 2015-2017 fiscal biennium so that (i) the Administrative Office of the Courts pays no more than eighty percent (80%) of the per-transcript-page rate paid by the Administrative Office of the Courts during the 2011-2013 fiscal biennium and (ii) the Office of Indigent Defense Services pays no more than eighty percent (80%) of the per-transcript-page rate paid by the Office of Indigent Defense Services during the 2011-2013 fiscal biennium.

E-COURTS INFORMATION TECHNOLOGY INITIATIVE/STRATEGIC PLAN/ADVISORY COMMITTEE/PILOT PROGRAM FOR ONLINE COLLECTION OF COURT COSTS

SECTION 18A.21.(a) The Administrative Office of the Courts shall establish a strategic plan for the design and implementation of its e-Courts information technology initiative by February 1, 2016. The e-Courts initiative, when fully implemented, will provide for the automation of all court processes, including the electronic filing, retrieval, and processing of documents. The strategic plan shall:

- (1) Clearly articulate the requirements for the e-Courts system, including well-defined milestones, costs parameters, and performance measures.
- (2) Prioritize the funding needs for implementation of the various elements of the system, after consultation with the e-Courts advisory committee established by subsection (c) of this section.
- (3) Identify any potential issues that may arise in the development of the system and plans for mitigating those issues.
- (4) Address the potential for incorporating any currently existing resources into the e-Courts system.

SECTION 18A.21.(b) The Administrative Office of the Courts shall report quarterly beginning November 1, 2015, to the Joint Legislative Oversight Committee on Justice and Public Safety and the Joint Legislative Oversight Committee on Information Technology on the development, implementation, and specific costs of the strategic plan required by subsection (a) of this section and on any changes in the projected costs for implementing the e-Courts system or the schedule for implementation. The report shall also provide an accounting of the use of funds appropriated in this act for development of the e-Courts initiative.

SECTION 18A.21.(c) The Administrative Office of the Courts shall establish an e-Courts advisory committee consisting of clerks of superior court, judges, district attorneys, public defenders, and representatives of the State Bar in order to ensure that, in the development and implementation of the strategic plan required by subsection (a) of this section, it has the input and advice of those stakeholders in the e-Courts system and the benefit of the various stakeholders' expertise on the information technology needs of the courts. The advisory committee shall be guided by an executive steering committee.

SECTION 18A.21.(d) Upon completion of the strategic plan required by subsection (a) of this section, the Administrative Office of the Courts shall issue a Request for Information (RFI) for a contractor to provide the e-Courts system as outlined in the strategic plan. The Administrative Office of the Courts shall evaluate the responses to the RFI before issuing a Request for Proposals (RFP) for the e-Courts system.

SECTION 18A.21.(e) As a precursor to the implementation of its e-Courts initiative, the Administrative Office of the Courts shall establish a pilot program in New Hanover County for the online collection and payment of court costs, fines, and related fees, with the potential of expanding the program statewide at the conclusion of a successful pilot. The costs incurred by the programs established pursuant to this section shall be borne by vendors selected by the Administrative Office of the Courts. The Administrative Office of the Courts shall report by March 1, 2016, to the chairs of the Joint Legislative 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 pilot program established pursuant to this section and its plans to expand the program statewide.

USE OF COURT INFORMATION TECHNOLOGY FUND

SECTION 18A.23.(a) G.S. 7A-343.2(b) reads as rewritten:

"(b) Use. – Money in the Fund derived from State judicial facilities fees must be used to upgrade, maintain, and operate the judicial and county courthouse ~~phone systems,~~telecommunications and data connectivity. All other monies in the Fund must be used to supplement funds otherwise available to the Judicial Department for court information technology and office automation needs."

SECTION 18A.23.(b) 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.

...
(2a) For the upgrade, maintenance, and operation of the judicial and county courthouse ~~phone systems,~~telecommunications and data connectivity, the sum of four dollars (\$4.00), to be credited to the Court Information Technology Fund.
...."

SECTION 18A.23.(c) G.S. 7A-305(a) reads as rewritten:

"(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

...
(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse ~~phone systems,~~telecommunications and data connectivity, the sum of four dollars (\$4.00), to be credited to the Court Information Technology Fund.
...."

SECTION 18A.23.(d) G.S. 7A-306(a) reads as rewritten:

"(a) In every special proceeding in the superior court, the following costs shall be assessed:

...
(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse ~~phone systems,~~telecommunications and data connectivity, the sum of four dollars (\$4.00), to be credited to the Court Information Technology Fund.
...."

SECTION 18A.23.(e) G.S. 7A-307(a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36C-2-203, in estate proceedings under G.S. 28A-2-4, and in collections of personal property by affidavit, the following costs shall be assessed:

...
(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse ~~phone systems,~~telecommunications and data connectivity, the sum of four dollars (\$4.00), to be credited to the Court Information Technology Fund.
...."

CLARIFY AUTHORIZATION TO CONTRACT FOR THE PROVISION OF REMOTE ACCESS TO COURT RECORDS

SECTION 18A.24. G.S. 7A-109(d) reads as rewritten:

"(d) In order to facilitate public access to ~~court records,~~the electronic data processing records or any compilation of electronic court records or data of the clerks of superior court,

except where public access is prohibited by law, the Director may enter into one or more nonexclusive contracts under reasonable cost recovery terms with third parties to provide remote electronic access to the electronic data processing records or any compilation of electronic court records or data of the clerks of superior court by the public. Neither the Director nor the Administrative Office of the Courts is the custodian of the records of the clerks of superior court or of the electronic data processing records or any compilation of electronic court records or data of the clerks of superior court. Costs recovered pursuant to this subsection shall be remitted to the State Treasurer to be held in the Court Information Technology Fund established in G.S. 7A-343.2."

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.(a) Section 18B.10 of S.L. 2013-360, as amended by Section 18A.2 of S.L. 2014-100, 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.~~ February 1, 2016. The Administrative Office of the Courts shall make ~~an interim report quarterly reports on the development and implementation of this system by February 1, 2014, system, including costs, milestones, and performance measures, and a final report on the completed implementation of the system by July 1, 2015, July 1, 2016, 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."~~~~

SECTION 18B.3.(b) This section becomes effective June 30, 2015.

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 Administrative Office of the Courts, in conjunction with the Office of Indigent Defense Services and the North Carolina Sheriffs' Association, 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, would provide for end-to-end message encryption, and would have scheduling software integrated into the system.

SECTION 18B.4.(b) The Administrative Office of the Courts 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.

STUDY FEE SCHEDULES USED BY OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 18B.5. The Joint Legislative Oversight Committee on Justice and Public Safety shall study the creation and implementation of fee schedules to be used by the Office of Indigent Defense Services to compensate private assigned counsel representing indigent defendants. The Committee shall include its findings and recommendations in its report to the 2015 General Assembly when it reconvenes in 2016.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES [RESERVED]

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.

SYNCHRONIZATION OF PRESCRIPTION REFILLS

SECTION 20.2.(a) Article 3 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"§ 58-3-181. Synchronization of prescription refills.

(a) Every health benefit plan that provides coverage for prescription drugs shall provide for synchronization of medication when it is agreed among the insured, the provider, and a pharmacist that synchronization of multiple prescriptions for the treatment of a chronic illness is in the best interest of the insured for the management or treatment of a chronic illness, provided all of the following apply:

- (1) The medications are covered by the clinical coverage policy.
- (2) The medications are used for treatment and management of chronic conditions, and the medications are subject to refills.
- (3) The medications are not a Schedule II controlled substance or a Schedule III controlled substance containing hydrocodone.
- (4) The medications meet all prior authorization criteria specific to the medications at the time of the synchronization request.
- (5) The medications are of a formulation that can be effectively split over required short-fill periods to achieve synchronization.
- (6) The medications do not have quantity limits or dose optimization criteria or requirements that would be violated in fulfilling synchronization.

(b) When applicable to permit synchronization, the health benefit plan shall apply a prorated daily cost-sharing rate to any medication dispensed by a network pharmacy pursuant to this section. Any dispensing fee shall not be prorated and shall be based on an individual prescription filled or refilled.

(c) The following definitions apply in this section:

- (1) Health benefit plan. – As defined in G.S. 58-3-167. The phrase also applies to limited-scope dental and vision insurance.
- (2) Health care provider or provider. – As defined in G.S. 58-3-225(a)(4).
- (3) Insured. – An individual who is eligible to receive benefits from the health benefit plan.
- (4) Insurer. – As defined in G.S. 58-3-225(a)(5)."

SECTION 20.2.(b) This section becomes effective January 1, 2016, and applies to insurance contracts issued, renewed, or amended on or after that date.

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 and those funds are hereby appropriated for that purpose.

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 shall only consider locations that do not impose an additional 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 additional 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 one million five hundred thousand dollars (\$1,500,000) in recurring funds for each year of the 2015-2017 fiscal biennium and the sum of five hundred thousand dollars (\$500,000) in nonrecurring funds for each year of the 2015-2017 fiscal biennium 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 each year of the 2015-2017 fiscal biennium. 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.

STUDY TRANSITION TO RENT-BASED MODEL FOR STATE-OWNED FACILITIES

SECTION 23.3. The Office of State Budget and Management shall study charging State agencies rent to cover the cost of facility management, maintenance, and related costs that are attributable to those agencies. The Office of State Budget and Management shall report the results of the study to the Joint Legislative Oversight Committee on General Government no later than March 1, 2016. The study shall examine all of the following:

- (1) Making receipt-supported all Department of Administration functions that support the management and maintenance of State-owned facilities.
- (2) An appropriate rate to charge agencies for facility management, maintenance, and related costs, and the basis for determining that rate.
- (3) Logistical, legal, and budgetary matters that would need to be resolved before the rent-based model could be implemented.
- (4) The desirability of using proceeds from lease payments for financing future building repairs and needs of the State. Any analysis involving the securitizing funds shall be undertaken in consultation with the State Treasurer.
- (5) Any other matter the Office of State Budget and Management deems relevant.

OSBM/PUBLIC SCHOOL CONSTRUCTION NEEDS STUDY

SECTION 23.4. Of the funds appropriated in this act to the Office of State Budget and Management, the sum of one hundred thousand dollars (\$100,000) for the 2015-2016 fiscal year shall be used to contract with an outside entity (i) to perform an independent assessment of school construction needs in local school administrative units in the 50 counties determined under the low-wealth school funding formula to have the lowest ability to pay for school facilities and (ii) to determine which of those units have the highest facility needs in relation to their capacity to raise revenue to meet those needs.

The Office of State Budget and Management shall report the results of this study to the Joint Legislative Commission on Governmental Operations prior to May 1, 2016.

PART XXIV. 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. Powers 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 United States Department of Defense and the United States 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 United States government military and national defense activities located in the State.
- (2) Promote the industrial and economic development of localities included in or adjacent to United States 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 United States 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 United States 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 separated 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 United States 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) Work with federal officials to obtain additional federal resources and coordinate veterans policy development and information exchange.
 - (14) 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) Educate the public on veterans and defense issues in coordination with applicable State agencies.
 - (16) Adopt rules and procedures for the implementation of this section.
 - (17) 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) 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) 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; and (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) Establish such field offices, facilities, and services throughout the State as may be necessary to carry out the purposes of this Article.
 - (21) 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) Enter into any contract or agreement with any person, business, governmental agency, or other entity in furtherance of the purposes of this Article.
- (23) 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 services 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 through 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
...	
<u>Secretary of Military and Veterans Affairs</u>	<u>22</u>
Governor's Staff	<u>22-23-29</u>

...."

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 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~~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.(II) 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 States 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-1300. 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.

RESTORE STATE CONTRIBUTION TO COUNTY VETERANS SERVICES PROGRAMS

SECTION 24.2. G.S. 143B-1211, as enacted by Section 24.1(b) of this act, is amended by adding a new subdivision to read:

"§ 143B-1211. Powers 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:

- ...
- (24) Contribute each fiscal year to each county that applies for it an amount for the maintenance and operation of a county veterans services program. Participating counties shall furnish the Department such reports, accountings, and other information at such times and in such form as the Department may require. The amount contributed to each county under this subdivision shall be as follows:
- a. If funds appropriated to the Department for contributions under this subdivision exceed the total amount of county requests received by December 31 of each year, the contribution to each county shall be the full amount requested by each county.
 - b. If the funds appropriated to the Department for contributions under this subdivision are insufficient to fund the full amount of county requests received by December 31 of each year, the contribution to each county shall be a pro rata share of the amount appropriated to the Department for contributions under this section, up to the amount requested by the county."

BRAC SPECIAL FUND

SECTION 24.3.(a) Part 1 of Article 14 of Chapter 143B of the General Statutes, as enacted by Section 24.1 of this act, is amended by adding a new section to read:

"§ 143B-1214. Military Presence Stabilization Fund.

The Military Presence Stabilization Fund is established as a special fund in the Department of Military and Veterans Affairs. Funds in the Military Presence Stabilization Fund shall be used to fund actions designed to make the State less vulnerable to closure pursuant to federal Base Realignment and Closure and related initiatives. The Secretary of Military and Veterans Affairs may allocate funds in the Fund for this purpose."

SECTION 24.3.(b) Notwithstanding G.S. 143B-1214, the funds appropriated in this act to the Military Presence Stabilization Fund for the 2015-2016 fiscal year shall be used as follows:

- (1) Use of funds. – Funds shall be allocated as follows:
 - a. Up to the sum of two hundred thousand dollars (\$200,000) may be used to provide grants to local communities or military installations. These funds shall only be used for actual project expenses and shall not be used to pay for lobbying, salaries, travel, or other administrative costs.
 - b. The remaining funds shall be used for purposes other than those set forth in sub-subdivision a. of this subdivision. The Secretary of

- Military and Veterans Affairs shall establish the guidelines for applying for these grants.
- (2) Use of funds. – Funds shall be used only for the following:
 - a. Administrative expenses and reimbursements for members of the Commission.
 - b. Federal advocacy and lobbying support.
 - c. Updates to strategic planning analysis and strategic plan.
 - d. Economic modeling software and analyses.
 - e. Compatible development mapping (red, yellow, green mapping).
 - f. Public-public/public-private (P4) initiative.
 - g. Identification and implementation of innovated measures to increase the military value of installations.

SECTION 24.3.(c) The Department of Military and Veterans Affairs shall report to the Joint Legislative Oversight Committee on General Government no later than February 1, 2016, on the expenditures from the Military Presence Stabilization Fund.

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.

SUBJECT MATTER EXPERTS FOR AUDITS

SECTION 25.2. Of the funds appropriated in this act to the Department of State Auditor, the sum of two hundred fifty thousand dollars (\$250,000) in recurring funds for the 2015-2016 fiscal year shall only be used to obtain subject matter experts during audits.

PART XXV-A. HOUSING FINANCE AGENCY

EXPAND COMMUNITY LIVING HOUSING FUND USES

SECTION 25A.1. G.S. 122E-3.1 reads as rewritten:
"§ 122E-3.1. Community Living Housing Fund.

(c) Use of Funds. – The North Carolina Housing Finance Agency, in consultation with the Department of Health and Human Services, shall be responsible for administering the Community Living Housing Fund. The monies in the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly and only for the following purposes:

- (1) To provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness.
- (2) To support an increase in the number of targeted units for individuals with disabilities located in housing projects funded by the Housing Finance Agency from ten percent (10%) to fifteen percent (15%). The additional targeted units funded shall be made available to the Department of Health and Human Services for use in the North Carolina Supportive Housing Program under Article 1B of Chapter 122C of the General Statutes. Priority for funding of the additional targeted units shall be given to units to be located in catchment areas identified by the Department of Health and Human Services, in consultation with the North Carolina Housing Finance Agency and ~~LMECOs~~, LME/MCOs, as having the greatest need for targeted units.
- (3) To recruit property owners who are willing to rent targeted units to individuals with disabilities."

PART XXVI. OFFICE OF STATE HUMAN RESOURCES

PERSONAL SERVICES CONTRACTS/TEMPORARY SOLUTIONS

SECTION 26.2.(a) Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-48.6. Personal services contracts subject to Article.

(a) Requirement. – Notwithstanding any other provision of law, personal services contracts for executive branch agencies shall be subject to the same requirements and procedures as service contracts.

(b) Personal Services Contract Defined. – For purposes of this section, the term "personal services contract" means a contract for services provided by a professional individual as an independent contractor on a temporary or occasional basis.

(c) Rules Required. – The Department of Administration shall adopt rules consistent with this section."

SECTION 26.2.(b) Part 4 of Article 14 of Chapter 143B of the General Statutes, as enacted by Part 7A of this act, is amended by adding a new section to read:

"§ 143B-1334.1. Personal services contracts subject to Article.

(a) Requirement. – Notwithstanding any other provision of law, information technology personal services contracts for executive branch agencies shall be subject to the same requirements and procedures as information technology service contracts, except as provided in this section.

(b) Certain Approvals Required. – Notwithstanding any provision of law to the contrary, no information technology personal services contract, nor any contract that provides personnel to perform information technology functions regardless of the cost of the contract, may be established or renewed without written approval from the Department of Information Technology and the Office of State Budget and Management. To facilitate compliance with this requirement, the Department of Information Technology shall develop and document the following:

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

(c) Creation of State Positions in Certain Cases. – The Department of Information Technology shall review current information technology personal services contracts on an ongoing basis and determine if each contractor is performing a function that could more

appropriately be performed by a State employee. Where the determination is made that a State employee should be performing the function, the Department of Information Technology shall work with the impacted agency and the Office of State Human Resources to identify or create the position.

(d) Compliance Audits Required. – The Department of Information Technology shall conduct periodic audits of State agencies that are subject to this Article to determine the degree to which those agencies are complying with the rules and procedures that govern information technology personal services contracts.

(e) Reporting Required. – The Department of Information Technology shall report biennially to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on all of the following:

- (1) Its progress toward standardizing information technology personal services contracts.
- (2) The number of information technology service contractors in each State agency, the cost for each, and the comparable cost, including benefits, of a State employee serving in that capacity rather than a contractor.
- (3) The results of the compliance audits conducted pursuant to subsection (d) of this section.

(f) Information Technology Personal Services Contract Defined. – For purposes of this section, the term "personal services contract" means a contract for services provided by a professional individual as an independent contractor on a temporary or occasional basis.

(g) Rules Required. – The Department of Information Technology shall adopt rules consistent with this section."

SECTION 26.2.(c) Personal services contracts and information technology personal services contracts in effect on the effective date of this act shall be allowed to expire in accordance with the terms of the contract. A personal services contract or an information technology personal services contract that can be terminated at any time shall be reviewed within 60 days of the effective date of this act and shall only be continued if the contract complies with the requirements of G.S. 143-48.6 and G.S. 143B-1334.1, as enacted by subsections (a) and (b) of this section, respectively. A personal services contract or information technology personal services contract entered into after the effective date of this act shall comply with the requirements of G.S. 143-48.6 or G.S. 143B-1334.1, as applicable.

SECTION 26.2.(d) G.S. 143-64.70 is repealed. The Office of State Budget and Management shall notify State agencies of the repeal of G.S. 143-64.70 and about the new requirements imposed by this act.

SECTION 26.2.(e) Article 1 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"§ 126-6.3. Temporary employment needs of State agencies shall be met through the Temporary Solutions Program.

(a) Use of Temporary Solutions Required. – Notwithstanding G.S. 126-5 or any other provision of law, all State agencies that utilize temporary employees to perform work that is not information technology-related shall employ them through the Temporary Solutions Program administered by the Office of State Human Resources. The Director of the Office of State Human Resources may create exceptions to this requirement when doing so would be in the best interests of the State in the sole discretion of the Director. An exception shall be invalid unless it is in writing.

(b) Compliance Monitoring. – The Office of State Human Resources shall monitor the employment of temporary employees by agencies subject to this section and shall report biannually to the Joint Legislative Oversight Committee on General Government and to the Fiscal Research Division on agency compliance with this section and policies and rules adopted pursuant to it.

(c) State Agency Defined. – For purposes of this section, "State agency" means a unit of the executive branch of State government, such as a department, an institution, a division, a commission, a board, or a council, regardless of whether or not the agency is part of the Council of State."

SECTION 26.2.(f) G.S. 126-4 is amended by adding a new subdivision to read:

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

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

...
(19) The implementation of G.S. 126-6.3 in a manner that is consistent across all affected State agencies."

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."

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, 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. 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; 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."

DOROTHEA DIX MEMORIAL

SECTION 27.4. The Department of Administration, in consultation with the Department of Natural and Cultural Resources, shall appoint a task force to acquire historical documents, photographs, and memorabilia relating to Dorothea Lynde Dix, mental health efforts in the State, and the Dorothea Dix Hospital. The Department shall propose options to preserve a building or provide a space on the Dorothea Dix campus for the purpose of permanently exhibiting the acquired historical materials for the purposes of (i) memorializing and honoring the unique history of Dorothea Dix Hospital and the story of Dorothea Dix and (ii) educating the public about her advocacy for and innovations in the proper treatment of the mentally ill. The Department shall submit a report of its proposed options to the Joint Legislative Oversight Committee on Health and Human Services by April 1, 2016.

VEHICLES ASSIGNED TO SECTION OF COMMUNITY CORRECTION/EXEMPT FROM MINIMUM MILEAGE REQUIREMENT

SECTION 27.6.(a) Exemption. – For the 2015-2017 fiscal biennium and notwithstanding any law, rule, or regulation to the contrary, motor vehicles assigned from the

central motor fleet established under G.S. 143-341 to the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety are exempt from any requirement that the motor vehicle be driven a minimum number of miles per month or quarter.

SECTION 27.6.(b) Report on Exemption. – The Department of Administration shall provide an interim report to the Joint Legislative Oversight Committee on General Government and the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2016, and a final report to the Joint Legislative Oversight Committee on General Government and the Joint Legislative Oversight Committee on Justice and Public Safety by January 1, 2017. Each report shall include all of the following information:

- (1) The number of motor vehicles assigned to the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety.
- (2) The average miles per month the assigned motor vehicles were driven.
- (3) The average costs per month for maintenance and motor fuel for the assigned motor vehicles.
- (4) The number of months in which an assigned motor vehicle was not driven at all.

SECTION 27.6.(c) Report on Vehicles Managed. – Beginning on December 1, 2015, and quarterly thereafter, the Department of Administration shall provide a report to the Joint Legislative Oversight Committee on General Government and the Joint Legislative Oversight Committee on Justice and Public Safety on the status of all motor vehicles managed by the Department of Administration for the Department of Public Safety. The report shall include all of the following information:

- (1) The number of motor vehicles managed by the Department of Administration for the Department of Public Safety.
- (2) The condition of each motor vehicle, including the mileage on each motor vehicle.
- (3) The average amount of time taken to repair or replace a motor vehicle.
- (4) The number and condition of any backup motor vehicles managed by the Department of Administration and available for use by the Department of Public Safety, including the location and condition of each motor vehicle.

LICENSE TO GIVE TRUST FUND COMMISSION/MATCHING GRANTS

SECTION 27.8.(a) G.S. 20-7.4(b) reads as rewritten:

"(b) The purposes for which funds may be expended by the License to Give Trust Fund Commission from the License to Give Trust Fund are as follows:

- (1) As matching grants-in-aid for initiatives that educate about and promote organ and tissue donation and health care decision making at life's end. A grant-in-aid provided pursuant to this subdivision shall be matched on the basis of one dollar (\$1.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds shall not include other State funds. The Commission shall not provide a grant under this subdivision until the grantee provides evidence satisfactory to the Commission that the grantee has sufficient nongrant funds to match.
- (2) Expenses of the License to Give Trust Fund Commission as authorized in G.S. 20-7.5."

SECTION 27.8.(b) G.S. 20-7.6(1) reads as rewritten:

- "(1) ~~Establish~~In accordance with G.S. 20-7.4(b), establish general policies and guidelines for awarding matching grants-in-aid to nonprofit entities to conduct education and awareness activities on organ and tissue donation and advance care planning."

SECTION 27.8.(c) This section is effective when this act becomes law and applies to grants awarded on or after that date.

LITIGATION FUNDING

SECTION 27.9. Of the amount appropriated for the 2015-2016 fiscal year to the Department of Administration, the Department shall allocate the sum of fifty thousand dollars (\$50,000) in nonrecurring funds for hiring private counsel for pending litigation to confirm the State's title to certain lands brought pursuant to the Department's authority under G.S. 146-2. In

the discretion of the Department, G.S. 114-2.3 and G.S. 147-17(a) through (c) shall not apply to the Department if the Department is engaged in litigation for which funding is provided in this section. The Secretary may retain private counsel to represent the Department to be paid with State funds appropriated in this section. If private counsel is to be so retained to represent the Department, the Secretary shall designate lead counsel who shall possess final decision-making authority with respect to the representation, counsel, or service for the Department. Other counsel for the Department shall, consistent with the Rules of Professional Conduct, cooperate with such designated lead counsel.

PART XXVII-A. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 27A.1.(a) During the 2015-2017 fiscal biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors shall be deposited in Special Reserve Account 24172 as required by G.S. 147-86.22(c).

SECTION 27A.1.(b) For each year of the 2015-2017 fiscal biennium, five hundred thousand dollars (\$500,000) of the funds in the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs and are hereby appropriated for that purpose.

SECTION 27A.1.(c) All funds available in Special Reserve Account 24172 on June 30 of each year of the 2015-2017 fiscal biennium shall revert to the General Fund on that date.

SECTION 27A.1.(d) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVIII. DEPARTMENT OF REVENUE

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 and reducing the incidence of 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 and reducing the incidence of 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 purposes listed in this subsection. 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~~ the purposes listed in this subsection 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~~ other purpose.

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 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 upgrade Department of Revenue capabilities to (i) allow for electronic filing

of returns by taxpayers and the electronic issuance of refunds by the Department for all remaining tax schedules and (ii) accomplish other mission-critical information technology tasks of the Department as approved by the Office of State Budget and Management in consultation with the State CIO."

DEPARTMENT OF REVENUE E-SERVICES

SECTION 28.5. The State CIO shall monitor the progress of the project management and procurement process for the E-Services project with the Department of Revenue and shall ensure the project is completed on or before March 1, 2017.

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	\$2,024.7 million
For Fiscal Year 2018-2019	\$2,056.7 million
For Fiscal Year 2019-2020	\$2,088.8 million
For Fiscal Year 2020-2021	\$2,206.9 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	\$1,371.0 million
For Fiscal Year 2018-2019	\$1,394.1 million
For Fiscal Year 2019-2020	\$1,422.8 million
For Fiscal Year 2020-2021	\$1,474.0 million

SECTION 29.1.(c) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a four-year revenue forecast. The first fiscal year in the four-year forecast shall be the 2021-2022 fiscal year. The four-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, CONTINGENCY, AND ECONOMIC DEVELOPMENT 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) for the 2015-2016 fiscal year shall be allocated for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.
- (2) Twelve million dollars (\$12,000,000) for each fiscal year of the 2015-2017 fiscal biennium shall be allocated statewide 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.
- (3) Four million thirty-six thousand one hundred seventy-one dollars (\$4,036,171) for each fiscal year of the 2015-2017 fiscal biennium shall be allocated to the Economic Development Fund to be used for prioritized transportation improvements and infrastructure that expedite commercial growth as well as either job creation or job retention. Projects funded under this subdivision shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce in accordance with the guidelines and procedures developed under subsection (c) of Section 34.7 of S.L. 2013-360, as amended by Section 34.29 of S.L. 2014-100.

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.

REPAIRS AND RENOVATIONS

SECTION 29.2A. There is appropriated from the Highway Fund to the Department of Transportation for the 2015-2017 fiscal biennium the following amounts for repairs and renovations:

Repairs and Renovations – Highway Fund	2015-2016	2016-2017
High-Rise Code Compliance Renovations	\$957,000	\$957,000
Roof Repairs & Replacements – Statewide	3,450,000	3,450,000
Chilled Water Piping and Insulation Replacement	612,700	612,700
TBC: Annex Building Window Replacement	0	724,000
DOT Elevator Modernization	0	251,000
DMV Field Facilities – Window Replacement Statewide	0	341,000
Rowan County Renovation and Addition	0	630,000
TOTAL REPAIRS AND RENOVATIONS – HIGHWAY FUND	\$5,019,700	\$6,965,700

INCREASE AMOUNT OF MOTOR FUEL TAX RATE DIVERSION TO SHALLOW DRAFT FUND

SECTION 29.4.(a) 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%)~~ one percent (1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging 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."

SECTION 29.4.(b) If the amount of revenue budgeted in this act for the 2015-2016 fiscal year for a transfer under G.S. 105-449.126(b), as amended by subsection (a) of this section, to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund is not realized, the Department of Revenue shall transfer to the Fund the amount necessary to fully fund the amount budgeted in this act.

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, rights-of-way, streets,~~ 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. Requests for safety enhancements or efforts to facilitate the flow of traffic shall not be considered improvements

under this subsection unless the enhancement or effort is in excess of the standard required by law."

SECTION 29.5.(b) This section is effective when it becomes law and applies to agreements entered into on or after that date.

BOARD OF TRANSPORTATION/OUT-OF-STATE TRAVEL

SECTION 29.5A. Expenditures for out-of-State travel by the Board of Transportation for the 2015-2016 fiscal year and each subsequent fiscal year shall not exceed twenty thousand dollars (\$20,000).

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. No more than ten percent (10%) of the funds allocated to this program shall be used for improvements to culverts associated with a component of the State highway system, and the funds shall only be used for culverts that are 54 inches or greater in size and rated by the Department as in poor condition."

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 each~~ subsequent fiscal ~~years~~ year 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."

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 any project undertaken by the Department. The Department shall supervise and manage the private counsel engaged under this section and, excluding legal services related to workers' compensation claims brought by Department employees, 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 REMNANT PROPERTY

SECTION 29.9.(a) Plan. – The Department of Administration, in collaboration with the Department of Transportation, shall develop a plan to reduce the amount of remnant property resulting from the acquisition of rights-of-way. The plan shall include a method or methods for disseminating information to contiguous or adjoining landowners and other members of the general public about (i) remnant property eligible for sale or other disposition and (ii) the process for placing a bid or offer on the remnant property, including posting the information required under this subdivision on the Web sites for both Departments.

SECTION 29.9.(b) Report. – The Departments shall jointly report to the Joint Legislative Transportation Oversight Committee by February 1, 2016, on the development of the plan required under this section. The report shall include all of the following:

- (1) An identification of all remnant property eligible for sale or other disposition.
- (2) An identification of the amount and types of costs incurred by the State from retaining remnant property.
- (3) An identification of the estimated fair market value, as determined by the Department of Administration, for each remnant property eligible for sale or other disposition.
- (4) An identification of any legal issues that may prohibit, or arise from, the sale or other disposition of other remnant property, if any.
- (5) An identification of a method for reducing the average annual amount of funds expended by the Department of Transportation for the acquisition of rights-of-way by three percent (3%).
- (6) Any other matters or information the Departments jointly deem relevant to the development of the plan.

SECTION 29.9.(c) Implementation. – The Department of Administration shall implement the plan required under this section by July 1, 2016.

ROADSIDE ENVIRONMENTAL UNIT/LITTER PROGRAM

SECTION 29.9A. The Department of Transportation shall reclassify two vacant positions within the Division of Highways as Office Assistant IV positions within the Roadside Environmental Unit, and the duties of the positions shall include managing litter programs. The Department shall transfer from the highway maintenance units to the Roadside Environmental Unit all management functions and funding related to litter programs and roadside vegetation management.

DOT/REPORT ON CAPITAL IMPROVEMENT NEEDS ESTIMATE

SECTION 29.10. Report. – By December 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 and Implementation. – 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 December 1, 2015. The Board shall implement the plan required under subsection (a) of this section by February 15, 2016.

SECTION 29.11.(c) Chapter 136 of the General Statutes is amended by adding a new section to read:

"§ 136-18.04. 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 January 1, 2016, 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~~ Thirty days prior to the effective date of any toll or fee for use of a Turnpike Facility, the Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review."

SECTION 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~~ 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~~ 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) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"§ 136-18.05. Establishment of "DOT Report" Program.

(a) Intent. – 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.

(b) Establishment and Components. – To achieve the intent set forth in subsection (a) of this section, the Department shall establish and implement the "DOT Report" Program (Program). The Program shall include the following components:

- (1) Responsiveness. – The Department shall structure 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 a toll-free telephone number designated by the Department or submitting an online work request through a Web site link designated by the Department. Beginning January 1, 2016, upon receiving a citizen report in accordance with this subdivision, the Department 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 (i) safety-related citizen reports no later than 10 business days after the date the report is received and (ii) non-safety-related citizen reports no later than 15 business days after the date the report is received. The Department shall determine, in its discretion, whether a citizen report is safety-related or non-safety-related. The Department 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) Performance. – Beginning December 1, 2015, the Secretary of the Department of Transportation shall conduct an annual job satisfaction survey of all Department 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 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."

SECTION 29.14.(b) Efficiency. – The Department 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 December 1, 2015, the Department 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 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 subsection. The Department of Transportation shall institute quarterly tracking to monitor pricing variances. The ten percent (10%) maximum variance set under this subsection 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 December 1, 2015, on information required by this subsection. 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.

SECTION 29.14.(c) 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.

SECTION 29.14.(d) Restructure. – A 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 Department of Transportation shall study and review the Division of Highways. The study and review, at a minimum, shall include all of the following:

- (1) A review of current Division of Highways' operations, staffing levels, and employee performance management efforts.
- (2) An evaluation of current laws and policies related to Division of Highways' operations and staffing.
- (3) Recommendations on how best to align staffing with strategic goals and workload.
- (4) Recommendations on how to better shift decision making on project development to the 14 Highway Divisions, including a plan developed by the Department of Transportation to eliminate at least ten percent (10%) of the total amount of filled positions within the Department of Transportation that are centrally or regionally based and that perform administrative, managerial, supervisory, or oversight functions. The plan shall describe the functions performed at the centrally and regionally based offices, including justification as to why each function cannot be outsourced, consolidated, or shifted to the Highway Divisions.
- (5) Recommendations on performance- or incentive-based systems to improve the effectiveness of the Division of Highways.
- (6) Recommendations on whether current laws and policies should be continued or modified based upon study results and human resource best practices.

The Department of Transportation shall submit the results of the study and review to the Joint Legislative Transportation Oversight Committee by May 1, 2016.

SECTION 29.14.(e) 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 monthly progress of all of the following:

- (1) Maintenance projects costing over one million dollars (\$1,000,000).
- (2) Bridge replacement projects.
- (3) Bridge repair and bridge renovation projects requiring road closures in excess of 24 hours.
- (4) 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 subsection shall be completed by March 1, 2016.

SECTION 29.14.(f) This section is effective when this act becomes law.

DOT/STREAMLINING AND REORGANIZATION

SECTION 29.14A.(a) Intent. – It is the intent of the General Assembly to reduce costs and increase efficiencies within the Department of Transportation. To achieve this intent, the General Assembly finds that the elimination and reorganization of certain positions, units, and programs is necessary.

SECTION 29.14A.(b) Specific Position Eliminations. – In accordance with G.S. 126-7.1, but by no later than 60 days after the effective date of this section, the Department of Transportation shall eliminate the following positions:

<u>Position number</u>	<u>Title</u>
60024002	Management Engineer III
60015784	Engineer
60015785	Environmental Specialist
60024003	Technology Support Analyst
60024034	Administrative Officer II
60024046	Radio Communications Engineer
60024055	Technical Trainer II
60024057	Technical Trainer II
60024058	Technical Trainer II
60024072	Radio Engineer I
60026559	Engineer
60026603	Engineer
60025908	Engineering Supervisor
60025855	Engineer
60025937	Engineering Supervisor
60025980	Engineer
60025919	Engineering Technician
60026010	Engineer
60025859	Engineer
60025846	Engineer
60026005	Engineering Supervisor
60026015	Engineer
60025862	Engineer
60025999	Engineer
60025877	Engineer
60025945	Engineering Supervisor
60025069	Engineering Manager
60027023	Engineering Director
60027025	Engineer

SECTION 29.14A.(c) Discretionary Position Eliminations. – In addition to the position eliminations required under subsection (b) of this section, the Department of Transportation shall eliminate 21 filled positions that are centrally or regionally based and that perform administrative, managerial, supervisory, or oversight functions. The Department of Transportation shall eliminate positions under this subsection in accordance with G.S. 126-7.1, but the positions shall be eliminated by no later than 60 days after the effective date of this section. In meeting the position eliminations required under this subsection, the Department of Transportation shall not eliminate any positions within the 14 Highway Divisions that perform administrative, managerial, supervisory, or oversight functions.

SECTION 29.14A.(d) Vacant Positions. – The Office of State Budget and Management shall eliminate all vacant positions within units or programs of the Department of Transportation in which all filled positions have been eliminated.

SECTION 29.14A.(e) Reorganization and Consolidation. – The Department of Transportation may, when it deems necessary for purposes of eliminating redundancies and achieving efficiencies, reorganize or consolidate any unit or program within the Department of Transportation in which a filled position has been eliminated under this section.

SECTION 29.14A.(f) Report. – By December 1, 2015, the Department of Transportation shall submit a report to the Joint Legislative Transportation Oversight Committee detailing the positions eliminated in accordance with this section. The report shall also list any employees transferred from a position eliminated under this section to another position within the Department of Transportation, including a specification of which positions employees were transferred to and justifications as to why the employees were transferred to the particular positions.

SECTION 29.14A.(g) Effective Date. – 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 calendar 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 March 1, 2016.

ADJUST CAP ON TURNPIKE PROJECTS

SECTION 29.15A. G.S. 136-89.183(a)(2) reads as rewritten:

"§ 136-89.183. Powers of the Authority.

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

- ...
- (2) To study, plan, develop, and undertake preliminary design work on ~~up to nine~~ Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain no more than eleven projects, which shall include the following projects: following:

- a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, and the Western Wake Freeway in Wake and Durham Counties. The described segments constitute ~~three projects~~one project.
- b. Repealed by Session Laws 2013-183, s. 5.1, effective July 1, 2013.
- c. Monroe Connector/Bypass.
- d., e. Repealed by Session Laws 2013-183, s. 5.1, effective July 1, 2013.
- f. Repealed by Session Laws 2008-225, s. 4, effective August 17, 2008.

Any other project proposed by the Authority in addition to the projects listed in this subdivision requires prior consultation with the Joint Legislative Commission on Governmental Operations pursuant to G.S. 120-76.1 no less than 180 days prior to initiating the process required by Article 7 of Chapter 159 of the General Statutes.

With the exception of the ~~four~~two projects set forth in sub-subdivisions a. and c. of this subdivision, the Turnpike projects selected for construction by the Turnpike Authority, prior to the letting of a contract for the project, shall meet the following conditions: (i) two of the projects must be ranked in the top 35 based on total score on the Department-produced list entitled "Mobility Fund Project Scores" dated June 6, 2012, and, in addition, may be subject to G.S. 136-18(39a); (ii) of the projects not ranked as provided in (i), one may be subject to G.S. 136-18(39a); (iii) the projects shall be included in any applicable locally adopted comprehensive transportation plans; (iv) the projects shall be shown in the current State Transportation Improvement Program; and (v) toll projects must be approved by all affected Metropolitan Planning Organizations and Rural Transportation Planning Organizations for tolling."

ALLOCATION OF ADDITIONAL CONTRACT RESURFACING FUNDS

SECTION 29.16. Allocation. – Of the funds appropriated in this act to the Department of Transportation for contract resurfacing, the sum of fifty-seven million six hundred seven thousand eight hundred thirty-four dollars (\$57,607,834) for fiscal year 2015-2016 and the sum of eighty-nine million one hundred fifty-two thousand five hundred sixty-one dollars (\$89,152,561) for fiscal year 2016-2017 shall, to the extent practicable, be allocated 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. – Beginning in the 2015-2016 fiscal year, 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 for 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) Subdivision (3) of subsection (l) of Section 34.11 of S.L. 2014-100 reads as rewritten:

- "(3) The statewide cost per lane mile (hereafter "unit cost") along with unit cost for each division and for each type of treatment. The Department shall provide an explanation for unit costs that vary by more than ~~twenty percent (20%)~~ ten percent (10%) from the statewide unit cost."

SECTION 29.17.(d) Subsection (c) of this section is effective when it becomes law and applies to reports submitted on or after that date.

FUNDS FOR CONTRACT RESURFACING

SECTION 29.17C.(a) Subsection (e) of Section 34.11 of S.L. 2014-100 is repealed.

SECTION 29.17C.(b) G.S. 136-44.3A reads as rewritten:

"§ 136-44.3A. Highway Maintenance Improvement Program.

...
(d) ~~Contract Maintenance Resurfacing Program Letting Schedule. – Beginning in the 2015-2016 fiscal year, and based on the amount of funds appropriated in the prior fiscal year by the General Assembly to the Department for the contract maintenance resurfacing program, the Department shall let contracts that total at least seventy percent (70%) of contract resurfacing program funds included in the certified budget annually by September 1.~~

(d1) Restriction and Encumbrance Schedule. – Notwithstanding any other provision of law, funds appropriated for the contract maintenance resurfacing program may not be

transferred to another account to be used for another purpose. Beginning in the 2015-2016 fiscal year, the Department of Transportation shall spend or encumber all funds appropriated for the contract maintenance resurfacing program by June 30 of the fiscal year in which the funds were appropriated.

...."

STABILIZATION OF FUNDING FOR STATE AID TO MUNICIPALITIES

SECTION 29.17D.(a) G.S. 136-41.1(a) reads as rewritten:

"(a) ~~There is annually appropriated out of the State Highway Fund a sum equal to ten and four tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half~~ Upon appropriation of funds by the General Assembly to the Department of Transportation for State aid to municipalities, one-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. ~~The appropriation from the Highway Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.~~

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis."

SECTION 29.17D.(b) G.S. 136-41.3 reads as rewritten:

"§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.

(a) Uses of Funds. – The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said cities and towns ~~only~~primarily for the resurfacing of streets within the corporate limits of the municipality but may also be used for the purposepurposes of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of bikeways, greenways, or sidewalks.

(b) Records and Annual Statement. – Each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall maintain a separate record of accounts indicating in detail all receipts and expenditures of such funds. It shall be unlawful for any municipal employee or member of any governing body to authorize, direct, or permit the expenditure of any funds accruing to any municipality by virtue of G.S. 136-41.1 and 136-41.2 for any purpose not herein authorized. Any member of any governing body or municipal employee shall be personally liable for any unauthorized expenditures. On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand. The Department of Transportation shall submit to the chairs of the Joint Legislative Transportation Oversight Committee an annual report no later than October 1 of each year detailing the uses by each municipality of funds received under G.S. 136-41.1 and G.S. 136-41.2 during the preceding year.

...."

SECTION 29.17D.(c) For the 2015-2016 fiscal year, and notwithstanding any provision of G.S. 136-41.3 to the contrary, the Department of Transportation shall submit by November 1, 2015, the report required under G.S. 136-41.3(b), as amended by subsection (b) of this section, detailing the uses by each municipality of funds received under G.S. 136-41.1 and G.S. 136-41.2 during the preceding year.

STUDY/IMPROVING SAFETY ON SECONDARY ROADS

SECTION 29.17E.(a) Study. – The Department of Transportation shall study ways to improve safety and decrease the number of traffic accidents and fatalities occurring on secondary roads. The study shall include all of the following:

- (1) An identification of the secondary roads with the highest number of traffic accidents and fatalities.
- (2) An identification of the most common causes listed for traffic accidents and fatalities occurring on secondary roads.
- (3) Any other matters or information the Department deems relevant to the completion of the study.

SECTION 29.17E.(b) Report. – The Department shall report its findings and recommendations, including any legislative proposals, to the Joint Legislative Transportation Oversight Committee by February 1, 2016.

RELOCATION COSTS/SALE OF VISITOR CENTER IN BOONE, NC

SECTION 29.17F. If the visitor center located in the Town of Boone is sold or otherwise disposed of during the 2015-2017 fiscal biennium, there is appropriated from the Special Registration Plate Account the sum of fifty thousand dollars (\$50,000) in nonrecurring funds to the North Carolina High Country Host, Inc., for the purpose of covering costs incurred from renovating or upfitting the relocated visitor center. These funds shall be in addition to any other funds the North Carolina High Country Host, Inc., may receive under G.S. 20-79.7 for the operation of a visitor center.

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.

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, nonprofit water or sewer corporations or associations, and local boards of education.

(a) 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; (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; or (vii) a local board of education.

(b) A municipality with a population of 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 of 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 becomes effective January 1, 2016, and applies to projects started on or after that date.

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 or leases 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."

USE OF PROCEEDS GENERATED FROM SHIPYARD

SECTION 29.23A. G.S. 136-82 reads as rewritten:

"§ 136-82. Department of Transportation to establish and maintain ferries.

...
(d) Use of Toll Proceeds. – The Department of Transportation shall credit the proceeds from tolls collected on North Carolina Ferry System routes and certain 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 shall be used exclusively for

prioritized North Carolina Ferry System ferry passenger vessel replacement projects in the Division in which the proceeds are earned. Proceeds may be used to fund ferry passenger vessel replacement projects or supplement funds allocated for ferry passenger vessel replacement projects approved in the Transportation Improvement Program.

...
(f) Authority to Generate Certain Receipts. – The Department of Transportation, notwithstanding any other provision of law, may operate or contract for the following receipt-generating activities ~~and~~ and, except as otherwise provided in subsection (f1) of this section, use the proceeds for ferry passenger vessel replacement projects in the manner set forth in subsection (d) of this section:

...
(f1) Use of Receipts Generated From Shipyard. – The Department of Transportation shall credit the proceeds from receipts generated under subsection (f) of this section from activities performed by the North Carolina State Shipyard to a reserve account within the Highway Fund to be used exclusively for improvements to the Shipyard, including equipment and associated infrastructure. Notwithstanding the restrictions on the use of proceeds set forth in subsections (d) and (f) of this section, the Department may use a proportional amount of the proceeds credited to each reserve account described in subsection (d) of this section to replace or repair equipment in accordance with this subsection if there is an insufficient amount of funds in the reserve account within the Highway Fund for the Shipyard.

...."
USE OF FUNDS APPROPRIATED TO DIVISION OF AVIATION

SECTION 29.27. Of the funds appropriated in this act to the Division of Aviation of the Department of Transportation, the Division shall allocate (i) the sum of three million five hundred thousand dollars (\$3,500,000) in nonrecurring funds for the 2015-2016 fiscal year to the Cape Fear Regional Jetport to be used for improvements to the Jetport, (ii) the sum of two million dollars (\$2,000,000) in nonrecurring funds for the 2015-2016 fiscal year to the Albert J. Ellis Airport to be used for the establishment of an air traffic control tower, and (iii) two million five hundred thousand dollars (\$2,500,000) in recurring funds for the 2015-2016 fiscal year for the development and administration of the unmanned aircraft system programs.

ADJUST MUNICIPAL VEHICLE TAX

SECTION 29.27A.(a) G.S. 20-97 reads as rewritten:

"§ 20-97. Taxes credited to Highway Fund; municipal vehicle taxes.

(a) State Taxes to Highway Fund. – All taxes levied under this Article are compensatory taxes for the use and privileges of the public highways of this State. The taxes collected shall be credited to the State Highway Fund. Except as provided in this section, no county or municipality shall levy any license or privilege tax upon any motor vehicle licensed by the State.

~~(b) General Municipal Vehicle Tax. – Cities and towns may levy a tax of not more than five dollars (\$5.00) per year upon any vehicle resident in the city or town. The proceeds of the tax may be used for any lawful purpose.~~

(b1) Municipal Vehicle Tax. – A city or town may levy an annual municipal vehicle tax upon any vehicle resident in the city or town. The aggregate annual municipal vehicle tax levied, including any annual municipal vehicle tax authorized by local legislation, may not exceed thirty dollars (\$30.00) per vehicle. A city or town may use the net proceeds from the municipal vehicle tax as follows:

- (1) General purpose. – Not more than five dollars (\$5.00) of the tax levied may be used for any lawful purpose.
- (2) Public transportation. – Not more than five dollars (\$5.00) of the tax levied may be used for financing, constructing, operating, and maintaining local public transportation systems. This subdivision only applies to a city or town that operates a public transportation system as defined in G.S. 105-550.
- (3) Public streets. – The remainder of the tax levied may be used for maintaining, repairing, constructing, reconstructing, widening, or improving public streets in the city or town that do not form a part of the State highway system.

(e) ~~Municipal Vehicle Tax for Public Transportation.~~—A city or town that operates a public transportation system as defined in G.S. 105-550 may levy a tax of not more than five dollars (\$5.00) per year upon any vehicle resident in the city or town. The tax authorized by this subsection is in addition to the tax authorized by subsection (b) of this section. A city or town may not levy a tax under this section, however, to the extent the rate of tax, when added to the general motor vehicle taxes levied by the city or town under subsection (b) of this section and under any local legislation, would exceed thirty dollars (\$30.00) per year. The proceeds of the tax may be used only for financing, constructing, operating, and maintaining local public transportation systems. Cities and towns shall use the proceeds of the tax to supplement and not to supplant or replace existing funds or other resources for public transportation systems. This subsection does not apply to the cities and towns in Gaston County.

(d) ~~Municipal Taxi Tax.~~ – Cities and towns may levy a tax of not more than fifteen dollars (\$15.00) per year upon each vehicle operated in the city or town as a taxicab. The proceeds of the tax may be used for any lawful purpose.

(e) ~~No Additional Local Tax.~~ – No county, city or town may impose a franchise tax, license tax, or other fee upon a motor carrier unless the tax is authorized by this section."

SECTION 29.27A.(b) This section becomes effective July 1, 2016. This section does not change, repeal, or affect any local modifications to G.S. 20-97(b) enacted on or before the effective date.

ADJUST DISTRIBUTION OF REVENUE FROM MOTOR FUEL EXCISE TAX RATE

SECTION 29.27B.(a) G.S. 105-449.125 reads as rewritten:

"§ 105-449.125. Distribution of tax revenue among various funds and accounts.

The Secretary shall allocate the amount of revenue collected under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and accounts in the fraction indicated:

<u>Fund or Account</u>	<u>Amount</u>
Commercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Nineteen thirty-seconds
Noncommercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Three thirty-seconds
Water and Air Quality Account	Five-sixteenths.

The Secretary shall allocate ~~seventy-five percent (75%)~~ seventy-one percent (71%) of the remaining excise tax revenue collected under this Article to the Highway Fund and shall allocate ~~twenty-five percent (25%)~~ twenty-nine percent (29%) to the Highway Trust Fund.

The Secretary shall charge a proportionate share of a refund allowed under this Article to each fund or account to which revenue collected under this Article is credited. The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a monthly basis."

SECTION 29.27B.(b) G.S. 105-449.125, as amended by subsection (a) of this section, reads as rewritten:

"§ 105-449.125. Distribution of tax revenue among various funds and accounts.

The Secretary shall allocate the amount of revenue collected under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and accounts in the fraction indicated:

<u>Fund or Account</u>	<u>Amount</u>
Commercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Nineteen thirty-seconds
Noncommercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Three thirty seconds
Water and Air Quality Account	Five-sixteenths.

The Secretary shall allocate seventy-one percent (71%) of the remaining excise tax revenue collected under this Article to the Highway Fund and shall allocate twenty-nine percent (29%) to the Highway Trust Fund.

The Secretary shall charge a proportionate share of a refund allowed under this Article to each fund or account to which revenue collected under this Article is credited. The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a monthly basis."

SECTION 29.27B.(c) Subsection (a) of this section becomes effective July 1, 2015, and applies to excise tax revenue collected on or after that date. Subsection (b) of this section becomes effective June 30, 2016.

INCREASE AND ADJUST DMV FEES

SECTION 29.30.(a) G.S. 20-7(i) reads as rewritten:

"(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
Class B	\$4.00
Class C	\$4.00

The fee for a motorcycle endorsement is one dollar and seventy-five cents (\$1.75) 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). 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). 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, and the first ~~fifty dollars (\$50.00)~~ seventy-five dollars (\$75.00) of the one-hundred-dollar (\$100.00) fee, shall be deposited in the Highway Fund. Twenty-five dollars (\$25.00) of the one-hundred-dollar (\$100.00) 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) 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."~~

SECTION 29.30.(a1) G.S. 20-7, as amended by subsection (a) of this section, 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 <u>\$5.00</u>
Class B	\$4.00 <u>\$5.00</u>
Class C	\$4.00 <u>\$5.00</u>

The fee for a motorcycle endorsement is ~~one dollar and seventy five cents (\$1.75)~~ two dollars and thirty cents (\$2.30) 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)~~ sixty-five dollars (\$65.00). 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 thirty dollars (\$130.00). 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, sixty-five-dollar (\$65.00) fee, and the first seventy-five dollars (\$75.00)~~ one hundred five dollars (\$105.00) of the ~~one hundred dollar (\$100.00)~~ one hundred-thirty-dollar (\$130.00) fee, shall be deposited in the Highway Fund. Twenty-five dollars (\$25.00) of the ~~one hundred dollar (\$100.00)~~ one hundred-thirty-dollar (\$130.00) 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 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.

...
 (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 dollars (\$20.00). 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 dollars (\$20.00). 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)~~ thirteen dollars (\$13.00) 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)~~ sixty-five dollars (\$65.00)."

SECTION 29.30.(e) G.S. 20-26(c) reads as rewritten:

"(c) The Division shall furnish copies of license records required to be kept by subsection (a) of this section in accordance with G.S. 20-43.1 to other persons for uses other than official upon prepayment of the following fees:

- (1) Limited extract copy of license record,
for period up to three years ~~\$8.00~~ \$10.00
- (2) Complete extract copy of license record ~~8.00~~ 10.00
- (3) Certified true copy of complete license record ~~11.00~~ 14.00.

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 dollars (\$40.00). 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 dollars (\$20.00) for each year of the period for which the license is issued. The fee for each endorsement is ~~three dollars (\$3.00)~~ four dollars (\$4.00) for each year of the period for which the endorsement is issued. The fees required under this section do not apply to employees of the Driver License Section of the Division who are designated by the Commissioner."

SECTION 29.30.(h) G.S. 20-42(b) reads as rewritten:

"(b) The Commissioner and officers of the Division designated by the Commissioner may prepare under the seal of the Division and deliver upon request a certified copy of any document of the Division for a fee. The fee for a document, other than an accident report under G.S. 20-166.1, is ~~ten dollars (\$10.00)~~ thirteen dollars (\$13.00). The fee for an accident report is five dollars (\$5.00). A certified copy shall be admissible in any proceeding in any court in like manner as the original thereof, without further certification. The certification fee does not apply to a document furnished for official use to a judicial official or to an official of the federal government, a state government, or a local government."

SECTION 29.30.(i) 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 dollars (\$20.00) 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 dollars (\$20.00). 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.(j) 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 <u>\$52.00</u> |
| (2) | Each application for duplicate or corrected certificate of title..... | 15.00 <u>20.00</u> |
| (3) | Each application of reposessor for certificate of title..... | 15.00 <u>20.00</u> |
| (4) | Each transfer of registration..... | 15.00 <u>20.00</u> |
| (5) | Each set of replacement registration plates..... | 15.00 <u>20.00</u> |
| (6) | Each application for duplicate registration card..... | 15.00 <u>20.00</u> |
| (7) | Each application for recording supplementary lien..... | 15.00 <u>20.00</u> |
| (8) | Each application for removing a lien from a certificate of title.... | 15.00 <u>20.00</u> |
| (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 <u>20.00</u> |
| (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 <u>20.00</u> |
| (11) | Each set of replacement Stock Car Racing Theme plates issued under G.S. 20-79.4..... | 25.00." |

SECTION 29.30.(k) G.S. 20-85.1(b) reads as rewritten:

"(b) The Commissioner and the employees of the Division designated by the Commissioner may prepare and deliver upon request a certificate of title, charging a fee of ~~seventy five dollars (\$75.00)~~ ninety-eight dollars (\$98.00) 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.(l) 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 dollars (\$100.00). 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)~~ one dollar and eighty cents (\$1.80) 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 <u>\$23.00</u>
	2-passenger capacity.....	22.00 <u>30.00</u>
	3-passenger capacity.....	26.00 <u>34.00</u>
Automobiles:	15 or fewer passengers	\$51.00 <u>\$66.00</u>
Buses:	16 or more passengers	\$2.00 <u>\$2.60</u> per hundred pounds of empty weight
Trucks under 7,000 pounds that do not haul products for hire:		
	4,000 pounds.....	\$41.50 <u>\$54.00</u>
	5,000 pounds.....	\$51.00 <u>\$66.00</u>
	6,000 pounds.....	\$61.00 <u>\$80.00</u>

- ...
 - (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~~\$36.00
 Private passenger vehicles over fifteen passengers..... ~~31.00~~40.00
 Provided, that a fee of only ~~one dollar (\$1.00)~~ one dollar and thirty cents (\$1.30) 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 dollars (\$20.00); 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 dollars (\$30.00). An additional fee of ~~three dollars (\$3.00)~~ four dollars (\$4.00) 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)~~ fourteen dollars (\$14.00) 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 (\$4.00) 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 thirty dollars (\$130.00) in addition to any other required registration fees."

SECTION 29.30.(m) 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.(n) 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.(o) 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 <u>\$0.38</u>
4,001 to 9,000 pounds inclusive	.40 <u>.52</u>
9,001 to 13,000 pounds inclusive	.50 <u>.65</u>
13,001 to 17,000 pounds inclusive	.68 <u>.88</u>
Over 17,000 pounds	.77 <u>1.00</u>

Rates Per Hundred Pound Gross Weight

	General Rate
Not over 4,000 pounds	\$0.59 <u>\$0.77</u>
4,001 to 9,000 pounds inclusive	.81 <u>1.05</u>
9,001 to 13,000 pounds inclusive	1.00 <u>1.30</u>
13,001 to 17,000 pounds inclusive	1.36 <u>1.77</u>
Over 17,000 pounds	1.54 <u>2.00</u>

- (1) The minimum fee for a vehicle licensed under this subsection is ~~twenty four dollars (\$24.00)~~thirty dollars (\$30.00) at the farmer rate and ~~twenty eight dollars (\$28.00)~~thirty-six dollars (\$36.00) 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)~~ninety-eight dollars (\$98.00); wreckers weighing in excess of 7,000 pounds shall pay ~~one~~

~~hundred forty-eight dollars (\$148.00)~~one hundred ninety-two dollars (\$192.00). 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-five dollars (\$25.00) 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)~~ninety-eight dollars (\$98.00). 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 (\$4.00) to arrive at the total fee.
...."

SECTION 29.30.(p) 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)~~ninety dollars (\$90.00) for each place of business.
- (2) For manufacturers, ~~one hundred fifty dollars (\$150.00)~~one hundred ninety-five dollars (\$195.00) and for each factory branch in this State, ~~one hundred dollars (\$100.00)~~one hundred thirty dollars (\$130.00).
- (3) For motor vehicle sales representatives, ~~fifteen dollars (\$15.00)~~twenty dollars (\$20.00).
- (4) For factory representatives, or distributor representatives, ~~fifteen dollars (\$15.00)~~twenty dollars (\$20.00).
- (5) Repealed by Session Laws 1991, c. 662, s. 4."

SECTION 29.30.(q) 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~~60.00
- (3) Certification by an interstate motor carrier that it is not regulated by the United States Department of Transportation ~~45.00~~60.00
- (4) Application by an interstate motor carrier for an emergency trip permit ~~18.00~~23.00"

SECTION 29.30.(r) 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)~~thirteen dollars (\$13.00). 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.(s) Article 1 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"§ 20-4.02. Quadrennial adjustment of certain fees.

(a) Adjustment for Inflation. – Beginning July 1, 2020, and every four years thereafter, the Division shall adjust the fees charged pursuant to the statutes listed in this subsection for inflation in accordance with the Consumer Price Index computed by the Bureau of Labor Statistics, rounded to the nearest twenty-five cents (25¢):

- (1) G.S. 20-7.
- (2) G.S. 20-11.
- (3) G.S. 20-14.
- (4) G.S. 20-16.
- (5) G.S. 20-26.
- (6) G.S. 20-37.15.
- (7) G.S. 20-37.16.
- (8) G.S. 20-42(b).
- (9) G.S. 20-85(a)(1) through (10).
- (10) G.S. 20-85.1.
- (11) G.S. 20-87, except for the additional fee set forth in G.S. 20-87(6) for private motorcycles.
- (12) G.S. 20-88.
- (13) G.S. 20-289.
- (14) G.S. 20-385.
- (15) G.S. 44A-4(b)(1).

(b) Computation. – In determining the rate of inflation to use when adjusting the fees pursuant to subsection (a) of this section, the Division shall base the rate on the percent change in the annual Consumer Price Index over the preceding four-year period.

(c) Rules. – The provisions of Chapter 150B of the General Statutes shall not apply to the adjustment of fees required by this section.

(d) Consultation and Publication. – At least 90 days prior to adjusting the fees pursuant to subsection (a) of this section, and notwithstanding any provision of G.S. 12-3.1 to the contrary, the Division shall (i) consult with the Joint Legislative Commission on Governmental Operations, (ii) provide a report to the chairs of the Senate Appropriations Committee on Department of Transportation and the House of Representatives Appropriations Committee on Transportation, and (iii) publish notice of the fees that will be in effect in the offices of the Division and on the Division's Web site."

SECTION 29.30.(t) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(27) The Division of Motor Vehicles with respect to fee adjustments under G.S. 20-4.02."

SECTION 29.30.(u) Subsections (a) and (u) of this section become effective October 1, 2015. Subsections (s) and (t) of this section become effective July 1, 2020. Subsection (m) of this section becomes effective July 1, 2016, and applies to renewal motor vehicle registrations on or after that date. Subsection (m) of this section expires December 31, 2017. The remainder of this section becomes effective January 1, 2016, and applies to issuances, renewals, restorations, and requests on or after that date.

DMV HEARING FEE SCHEDULE IMPLEMENTATION DATE

SECTION 29.30A. Subsection (c) of Section 34.9 of S.L. 2014-100 reads as rewritten:

"SECTION 34.9.(c) From funds appropriated to the Department of Transportation, Information Technology Section for the 2014-2015 fiscal year, the Department shall implement modifications to supporting information technology systems necessary to timely implement the hearing fee schedule required by subsection (a) of this section. The Department shall implement the hearing fee schedule required by subsection (a) of this section by no later than ~~January 1, 2016.~~ July 1, 2017."

DISTRIBUTION OF FUNDS IN SPECIAL REGISTRATION PLATE ACCOUNT

SECTION 29.30B.(a) G.S. 20-79.7(c)(3) reads as rewritten:

"(3) The Division shall transfer fifty percent (50%) of the remaining revenue in the Special Registration Plate Account quarterly, and funds are hereby ~~appropriated, as follows:~~ appropriated to the Department of Transportation to

be used solely for the purpose of beautification of highways. These funds shall be administered by the Department of Transportation for beautification purposes not inconsistent with good landscaping and engineering principles. The Division shall transfer the remaining revenue in the Special Registration Plate Account quarterly to the Highway Fund to be used for the Roadside Vegetation Management Program.

- a. ~~Thirty three percent (33%) to the account of the Department of Commerce to aid in financing out of state print and other media advertising under the program for the promotion of travel and industrial development in this State.~~
- b. ~~Fifty percent (50%) to the Department of Transportation to be used solely for the purpose of beautification of highways. These funds shall be administered by the Department of Transportation for beautification purposes not inconsistent with good landscaping and engineering principles.~~
- e. ~~Seventeen percent (17%) to the account of the Department of Health and Human Services to promote travel accessibility for disabled persons in this State. These funds shall be used to collect and update site information on travel attractions designated by the Department of Commerce in its publications, to provide technical assistance to travel attractions concerning accommodation of disabled tourists, and to develop, print, and promote the publication ACCESS NORTH CAROLINA as provided in G.S. 168-2. Any funds allocated for these purposes that are neither spent nor obligated at the end of the fiscal year shall be transferred to the Department of Administration for removal of man-made barriers to disabled travelers at State-funded travel attractions. Guidelines for the removal of man-made barriers shall be developed in consultation with the Department of Health and Human Services."~~

SECTION 29.30B.(b) This section becomes effective October 1, 2015.

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~~ (i) establishes that the owner has not had a lapse in financial responsibility, (ii) obtains financial responsibility, or (iii) transfers the vehicle to an owner who has financial responsibility, whichever occurs first.

(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.

(g) **Military Waiver.** – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who, at the time of notification of a lapse in coverage, financial responsibility, was deployed as a member of the Armed Forces of the United States outside of the continental United States for a total of 45 or more days. In addition, no insurance points under the Safe Driver Incentive Plan shall be assessed for any violation for which a monetary penalty or restoration fee is waived pursuant to this subsection. ~~Any~~All of the following apply to a person qualifying under this ~~subsection shall:~~subsection:

- (1) ~~Have~~The person shall have an affirmative defense to any criminal charge based upon the failure to return any registration card or registration plate to the ~~Division;~~Division.
- (2) Upon reregistration, the person shall receive without cost from the Division all necessary registration cards or plates; andplates.
- (3) Upon notice of revocation, the person shall be permitted to transfer the vehicle's registration immediately to his or her spouse, child, or spouse's child, notwithstanding the provisions of subsection (e) of this section.

(h) **Applicability.** – The penalty and revocation imposed under this section do not apply when the sole owner of a vehicle dies and that owner had financial responsibility for the vehicle as of the date of the owner's death."

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) Subsection (c) of this section and G.S. 20-311(h), as enacted by subsection (a) of this section, are effective when this act becomes law. The remainder of this section becomes effective January 1, 2016, 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.~~ The terms of a commission contract entered under this subsection shall specify the duration of the contract and either include or incorporate by reference standards by which the Division may supervise and evaluate the performance of the commission contractor. The duration of an initial commission contract may not exceed eight years and the duration of a renewal commission contract may not exceed two years. The Division may award monetary performance bonuses, not to exceed an aggregate total of ninety thousand dollars (\$90,000) annually, to commission contractors based on their performance.

The amount of compensation payable to a commission contractor is determined 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)~~ 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)~~ thirty cents (\$1.30) and one dollar and ~~six cents (\$1.06)~~ 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)~~ 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) 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 specify the duration of the contract and include or incorporate by reference the standards required under subsection (a) of this section. No later than July 1, 2018, all other commission contracts entered into by the Division of Motor Vehicles shall specify the duration of the contract and include or incorporate by reference the standards required under subsection (a) of this section.

SECTION 29.32.(c) The compensation rates set forth in G.S. 20-63(h), as amended by subsection (a) of this section, are effective July 1, 2015, and apply to transactions on or after that date. The remainder of this section is effective when this act becomes law.

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.

ADJUST MAXIMUM HIGHWAY USE TAX IMPOSED FOR CERTAIN MOTOR VEHICLES

SECTION 29.34A.(a) G.S. 105-187.3(a1) reads as rewritten:

"(a1) Tax Rate. – The tax rate is three percent (3%). The maximum tax is ~~one two~~ thousand dollars ~~(\$1,000)-(\$2,000)~~ for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in ~~G.S. 20-4.01. The maximum tax is one thousand five hundred dollars (\$1,500) G.S. 20-4.01, and for each certificate of title issued for a recreational vehicle that is not subject to the one thousand dollar (\$1,000) maximum tax.~~ vehicle. The tax is payable as provided in G.S. 105-187.4."

SECTION 29.34A.(b) G.S. 105-187.6(c), as amended by Section 29.34 of this act, reads as rewritten:

"(c) Out-of-state Vehicles. – A maximum tax of ~~one two~~ hundred fifty dollars ~~(\$150.00)~~ (\$250.00) applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a certificate of title, is and has been titled in the name of the owner of the motor vehicle in another state for at least 90 days prior to the date of application for a certificate of title in this State."

SECTION 29.34A.(c) This section becomes effective January 1, 2016, and applies to sales made on or after that date.

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 January 1, 2016, 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."

VISITOR CENTERS FUNDING TECHNICAL CORRECTION

SECTION 29.36A. G.S. 20-79.7(c)(2)d. reads as rewritten:

"(c) Use of Funds in Special Registration Plate Account. –

...

- (2) From the funds remaining in the Special Registration Plate Account after the deductions in accordance with subdivision (1) of this subsection, there is annually appropriated from the Special Registration Plate Account the sum of one million three hundred thousand dollars (\$1,300,000) to provide operating assistance for the Visitor Centers:

...
d. in ~~the Town of Boone,~~ Watauga County, ninety-two thousand eight hundred fifty-seven dollars (\$92,857);
...."

STOP LAMPS ON MOTOR VEHICLE/CLARIFICATION

SECTION 29.36B.(a) G.S. 20-129(g), as amended by Section 1 of S.L. 2015-31, reads as rewritten:

"(g) No person shall sell or operate on the highways of the State any motor vehicle manufactured after December 31, 1955, and on or before December 31, 1970, unless it shall be equipped with a stop lamp on the rear of the vehicle. No person shall sell or operate on the highways of the State any motor vehicle, manufactured after December 31, 1970, unless it shall be equipped with stop lamps, one on each side of the rear of the vehicle. No person shall sell or operate on the highways of the State any motorcycle or motor-driven cycle, manufactured after December 31, 1970, 1955, unless it shall be equipped with a stop lamp on the rear of the motorcycle or motor-driven cycle. The stop lamps shall emit, reflect, or display a red or amber light visible from a distance of not less than 100 feet to the rear in normal sunlight, and shall be actuated upon application of the service (foot) brake. The stop lamps may be incorporated into a unit with one or more other rear lamps."

SECTION 29.36B.(b) This section becomes effective October 1, 2015, and applies to offenses committed on or after that date.

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 system.~~ Positions created under this authorization shall be funded with receipts from the fee assessed under G.S. 105-330.5(b) and shall terminate no later than June 30, 2014. ~~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. June 30, 2016.~~"

DMV/TITLE AND LICENSE PERSONAL WATERCRAFT

SECTION 29.38. G.S. 20-39(e) reads as rewritten:

"(e) The Commissioner is authorized to cooperate with and provide assistance to the Environmental Management Commission, or appropriate local government officials, and to develop, adopt, and ensure enforcement of necessary rules and regulations, regarding programs of motor vehicle emissions inspection/maintenance required for areas in which ambient air pollutant concentrations exceed National Ambient Air Quality Standards. The Commissioner is further authorized to allow offices of the Division that provide vehicle titling and registration services and commission contractors of the Division under G.S. 20-63 to serve, upon agreement with the Wildlife Resources Commission, as vessel agents under G.S. 75A-5.2."

SPECIAL REGISTRATION PLATES/PERMANENT PLATES

SPECIAL REGISTRATION PLATES

SECTION 29.40.(a) G.S. 20-63(b1) reads as rewritten:

"(b1) The following special registration plates do not have to be a "First in Flight" plate or "First in Freedom" plate as provided in subsection (b) of this section. The design of the plates that are not "First in Flight" plates or "First in Freedom" plates must be developed in accordance with G.S. 20-79.4(a3). For special plates authorized in G.S. 20-79.7 on or after July 1, 2013, the Division may not issue the plate on a background under this subsection unless it receives at least 200 applications for the plate in addition to the applications required under G.S. 20-79.4 or G.S. 20-81.12.

- ...
- (48) Alpha Phi Alpha.
- (49) Carolina Panthers.
- (50) NC Surveyors.
- (51) North Carolina Sheriffs' Association.
- (52) Save the Honey Bee (SB)."

SECTION 29.40.(b) G.S. 20-79.4(b) reads as rewritten:

"(b) Types. – The Division shall issue the following types of special registration plates:

...

() Carolina Panthers. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall bear the phrase "Keep Pounding", the logo of the Carolina Panthers, and the letters "CP". The Division shall not develop a plate under this subdivision without a license to use copyrighted or registered words, symbols, trademarks, or designs associated with the plate. The Division shall not pay a royalty for the license to use the copyrighted or registered words, symbols, trademarks, or designs associated with the plate. The plate authorized by this subdivision is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8.

...

() NC Surveyors. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall bear the phrase "Following In Their Footsteps", a picture representing a surveyor, and the letters "PS" on the right side of the plate.

...

() North Carolina Sheriffs' Association. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate may bear a phrase and logo selected by the North Carolina Sheriffs' Association, Inc.

...

(190) Register of Deeds. – Issuable to a register of ~~deeds~~ deeds of a county of this State. The plate shall bear the words "Register of Deeds" and the letter "R" followed by a number representing the county of the register of deeds. The number of a county shall be the order of the county in an alphabetical list of counties that assigns number one to the first county in the list. A plate issued to a retired register of deeds shall bear the phrase "Register of Deeds, Retired," followed by a number that indicates the county where the register of deeds served and a designation indicating the retired status of the register of deeds. For purposes of this subdivision, a "retired register of deeds" is a person (i) with at least 10 years of service as a register of deeds of a county of this State and (ii) who no longer holds that office for any reason other than removal under G.S. 161-27.

...

() Save the Honey Bee (HB). – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall bear the phrase "Save the Honey Bee", a picture representing a honey bee, and the letters "HB" on the right side of the plate.

...

() Save the Honey Bee (SB). – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall bear the phrase "Save the Honey Bee", a picture representing a honey bee on a blue flower inside of a hexagon, a honeycomb background, and the letters "SB" on the right side of the plate.

...."

SECTION 29.40.(c) G.S. 20-79.7 reads as rewritten:

"§ 20-79.7. Fees for special registration plates and distribution of the fees.

(a1) Fees. – All other special registration plates are subject to the regular motor vehicle registration fee in G.S. 20-87 or G.S. 20-88 plus an additional fee in the following amount:

<u>Special Plate</u>	<u>Additional Fee Amount</u>
...	
Brenner Children's Hospital	\$30.00
<u>Carolina Panthers</u>	<u>\$30.00</u>
Carolina Raptor Center	\$30.00
...	
North Carolina Paddle Festival	\$30.00
<u>North Carolina Sheriffs' Association</u>	<u>\$30.00</u>
Operation Coming Home	\$30.00
...	
NC Children's Promise	\$25.00
<u>NC Surveyors</u>	<u>\$25.00</u>
Nurses	\$25.00
...	
NC Beekeepers	\$15.00
<u>Save the Honey Bee (HB)</u>	<u>\$15.00</u>
<u>Save the Honey Bee (SB)</u>	<u>\$15.00</u>
Shag Dancing	\$15.00
...	
Turtle Rescue Team	\$30.00
<u>United States Service Academy</u>	<u>\$30.00</u>
Volunteers in Law Enforcement	\$30.00

(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the Clean Water Management Trust Fund (CWMTF), which is established under G.S. 113A-253, and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

<u>Special Plate</u>	<u>SRPA</u>	<u>CCAPA</u>	<u>CWMTF</u>	<u>PRTF</u>
...				
Buffalo Soldiers	\$10	\$15	0	0
<u>Carolina Panthers</u>	<u>\$10</u>	<u>\$20</u>	<u>0</u>	<u>0</u>
Carolina Raptor Center	\$10	\$20	0	0
...				
NCSC	\$10	\$20	0	0
<u>NC Surveyors</u>	<u>\$10</u>	<u>\$15</u>	<u>0</u>	<u>0</u>
NC Tennis Foundation	\$10	\$10	0	0
...				
North Carolina Paddle Festival	\$10	\$20	0	0
<u>North Carolina Sheriffs' Association</u>	<u>\$10</u>	<u>\$20</u>	<u>0</u>	<u>0</u>
Nurses	\$10	\$15	0	0
...				
Ronald McDonald House	\$10	\$20	0	0
<u>Save the Honey Bee (HB)</u>	<u>\$10</u>	<u>\$5</u>	<u>0</u>	<u>0</u>
<u>Save the Honey Bee (SB)</u>	<u>\$10</u>	<u>\$5</u>	<u>0</u>	<u>0</u>
Save the Sea Turtles	\$10	\$10	0	0
...				
University Health Systems of Eastern Carolina	\$10	\$15	0	0
<u>United States Service Academy</u>	<u>\$10</u>	<u>\$20</u>	<u>0</u>	<u>0</u>
US Equine Rescue League	\$10	\$10	0	0
...."				

SECTION 29.40.(d) G.S. 20-81.12 reads as rewritten:
"§ 20-81.12. Collegiate insignia plates and certain other special plates.

...
(b148) North Carolina Paddle Festival. – The Division must receive 300 or more applications for a North Carolina Paddle Festival 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 North Carolina Paddle Festival plates to the Friends of the Hammocks and Bear Island, Inc.

(b149) Carolina Panthers. – The Division shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Carolina Panthers plates to the Keep Pounding Fund of the Carolinas Healthcare Foundation, Inc., to be used to support cancer research at the Carolinas Medical Center, and shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of the Carolina Panthers plates to the Carolina Panthers Charities Fund of the Foundation for the Carolinas to be used to create new athletic opportunities for children, support their educational needs, and promote healthy lifestyles for families.

(b150) NC Surveyors. – The applicable requirements of G.S. 20-79.3A shall be met before the NC Surveyors plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of NC Surveyors plates to the North Carolina Society of Surveyors Education Foundation, Inc., to be used to grant financial assistance to those persons genuinely interested in pursuing or continuing to pursue a formal education in the field of surveying.

(b151) North Carolina Sheriffs' Association. – The applicable requirements of G.S. 20-79.3A shall be met before the North Carolina Sheriffs' Association plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of North Carolina Sheriffs' Association plates to the North Carolina Sheriffs' Association, Inc., to support the operating expenses of the North Carolina Sheriffs' Association.

(b152) Save the Honey Bee (HB). – The applicable requirements of G.S. 20-79.3A shall be met before the Save the Honey Bee plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Save the Honey Bee plates to the North Carolina State University Apiculture Program.

(b153) Save the Honey Bee (SB). – The applicable requirements of G.S. 20-79.3A shall be met before the Save the Honey Bee plate may be developed. The Division shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Save the Honey Bee plates to the Grandfather Mountain Stewardship Foundation to be used to support the Honey Bee Haven and honey bee educational programs and shall transfer one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Save the Honey Bee plates to the North Carolina State University Apiculture Program to be used to support work on honey bee biology and apicultural science.

(b154) United States Service Academy. – The Division must transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of United States Service Academy plates to the United Services Organization of North Carolina to support its mission to lead the way to enriching the lives of America's military in North Carolina.

...."

SECTION 29.40.(e) The Division of Motor Vehicles shall not issue, and shall not produce, any more special registration plates developed for the Carolina Panthers under the authority in G.S. 20-79.4(b)(185).

SECTION 29.40.(f) G.S. 20-79.4(b)(122) and G.S. 20-79.4(b)(234), as they existed on September 30, 2014, are reenacted.

SECTION 29.40.(g) G.S. 20-79.4(b)(122), as reenacted by subsection (f) of this section, reads as rewritten:

"(b) Types. – The Division shall issue the following types of special registration plates:

...
(122) Military Veteran. – Issuable to an individual who served honorably in the Armed Forces of the United States. The plate shall bear the words "U.S. Military Veteran" and the name and insignia of the branch of service in which the individual served. ~~The Division may not issue the plate authorized by this subdivision unless it receives at least 300 applications for the~~

~~plate. The plate authorized by this subdivision is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8."~~

SECTION 29.40.(h) The fee amount set for "Military Veteran" special registration plates in G.S. 20-79.7(a1) is reenacted.

SECTION 29.40.(i) G.S. 20-79.4(b)(234), as reenacted by subsection (f) of this section, reads as rewritten:

"(234) United States Service Academy. – Issuable to a graduate of one of the service academies, upon furnishing to the Division proof of graduation. The plate shall bear the name of the specific service academy with an emblem that designates the specific service academy being represented. The Division, with the cooperation of each service academy, shall develop a special plate for each of the service academies. The Division must receive a combined total of ~~300~~600 or more applications for all the plates authorized by this subdivision before a specific service academy plate may be developed. The plates authorized by this subdivision are not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8."

SECTION 29.40.(j) G.S. 20-79.4(b)(171), as it existed on June 30, 2015, is reenacted. The corresponding provisions for fees under G.S. 20-79.7(a1) and (b) and any other corresponding requirements for the plates under G.S. 20-81.12 are also reenacted.

SECTION 29.40.(k) G.S. 20-81.12(b140), as reenacted by subsection (j) of this section, reads as rewritten:

"(b140) Order of the Long Leaf Pine. – ~~The Division must receive 300 or more applications for the Order of the Long Leaf Pine plate before the plate may be developed. The Order of the Long Leaf Pine plate is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8.~~ The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Order of the Long Leaf Pine plates to the General Fund."

SECTION 29.40.(l) G.S. 20-79.4(b)(56), as it existed on September 30, 2014, is reenacted.

SECTION 29.40.(m) G.S. 20-79.4(b)(56), as reenacted by subsection (l) of this section, reads as rewritten:

"(b) Types. – The Division shall issue the following types of special registration plates:

...
(56) County Commissioner. – Issuable to a county commissioner of a county in this State. The plate shall bear the words "County Commissioner" followed first by a number representing the commissioner's county and then by a letter or number that distinguishes plates issued to county commissioners of the same county. The number of a county shall be the order of the county in an alphabetical list of counties that assigns number one to the first county in the list and a letter or number to distinguish different cars owned by the county commissioners in that county. ~~The Division may not issue the plate authorized by this subdivision unless it receives at least 100 applications for the plate. The plate authorized by this subdivision is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8."~~

SECTION 29.40.(n) G.S. 20-79.4(b)(21), G.S. 20-81.12(b76), and the corresponding provisions for fees under G.S. 20-79.7(a) and (b), as they existed on September 30, 2014, are reenacted.

SECTION 29.40.(o) G.S. 20-79.4(b)(21), as reenacted by subsection (n) of this section, reads as rewritten:

"(21) Battle of Kings Mountain. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall bear the phrase "Battle of Kings Mountain" with a representation of Kings Mountain on it. The plate authorized by this subdivision is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8."

SECTION 29.40.(p) G.S. 20-81.12(b76), as reenacted by subsection (n) of this section, reads as rewritten:

"(b76) Battle of Kings Mountain. – ~~The Division must receive 300 or more applications for the "Battle of Kings Mountain" 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 "Battle of Kings Mountain" plates by transferring fifty percent (50%) to the Kings Mountain Tourism Development Authority and fifty percent (50%) to Kings Mountain Gateway Trails, Inc., to be used to develop tourism to the area and provide safe and adequate trails for visitors to the park."

SECTION 29.40.(q) The Revisor of Statutes is authorized to alphabetize, number, and renumber the special registration plates listed in G.S. 20-79.4(b) to ensure that all the special registration plates are listed in alphabetical order and numbered accordingly.

PERMANENT REGISTRATION PLATES

SECTION 29.40.(r) G.S. 20-84(b)(3a), as it existed on June 30, 2015, is reenacted.

EFFECTIVE DATE

SECTION 29.40.(s) Subsections (r) and (s) of this section are effective when this act becomes law. The remainder of this section is effective 90 days after this act becomes law.

MAXIMUM FUNDING EXPENDED FOR LIGHT RAIL TRANSIT SYSTEM PROJECTS

SECTION 29.41.(a) G.S. 136-189.11 is amended by adding a new subsection to read:

"(e1) Limitation on Funding for Light Rail Transit System Projects. – Notwithstanding any provision of this section to the contrary, the cumulative amount of funds subject to this section that are expended for light rail transit system projects shall not exceed the sum of five hundred thousand dollars (\$500,000) per project."

SECTION 29.41.(b) This section is effective when this act becomes law.

PART XXX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 30.1.(a) The salary of the Governor as provided by G.S. 147-11(a) shall remain unchanged for the 2015-2017 fiscal biennium.

SECTION 30.1.(b) The annual salaries for members of the Council of State, payable monthly, shall remain unchanged for the 2015-2017 fiscal biennium, as follows:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$125,676
Attorney General	125,676
Secretary of State	125,676
State Treasurer	125,676
State Auditor	125,676
Superintendent of Public Instruction	125,676
Agriculture Commissioner	125,676
Insurance Commissioner	125,676
Labor Commissioner	125,676

SECTION 30.1.(c) The Office of State Human Resources shall study the compensation of the Council of State, as follows:

- (1) Examine the salary, retirement and deferred compensation plans, health and other insurance coverages, per diem rates, travel reimbursement rates, use of State vehicles, and any other expense reimbursements or benefits other than salary.
- (2) Review any comparative information from other states and current salary levels for similar statewide elected constitutional officers.
- (3) Review market data for any comparable private sector executive positions.
- (4) Consider whether Council of State salaries should be restructured and set in a different manner.
- (5) Consider any other matters pertaining to the compensation of the Council of State.

SECTION 30.1.(d) By May 1, 2016, the Office of State Human Resources shall report to the chairs of the Senate Appropriations/Base Budget Committee and the House of Representatives Appropriations Committee on the review of Council of State compensation required by subsection (c) of this section.

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 30.2. The annual salaries, payable monthly, for the following executive branch officials shall remain unchanged for the 2015-2017 fiscal biennium, as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$111,868
State Controller	156,159
Commissioner of Banks	125,676
Chair, Board of Review, Division of Employment Security	123,255
Members, Board of Review, Division of Employment Security	121,737
Chairman, Parole Commission	123,255
Members of the Parole Commission	113,887
Chairman, Utilities Commission	139,849
Members of the Utilities Commission	125,676
Executive Director, North Carolina Agricultural Finance Authority	108,915

JUDICIAL BRANCH SALARIES

SECTION 30.3.(a) Effective July 1, 2015, the annual salaries, payable monthly, for specified judicial branch officials for the 2015-2017 fiscal biennium, are as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$143,623
Associate Justice, Supreme Court	139,896
Chief Judge, Court of Appeals	137,682
Judge, Court of Appeals	134,109
Judge, Senior Regular Resident Superior Court	130,492
Judge, Superior Court	126,875
Chief Judge, District Court	115,301
Judge, District Court	111,684
District Attorney	121,737
Assistant Administrative Officer of the Courts	118,152
Public Defender	121,737
Director of Indigent Defense Services	125,498

SECTION 30.3.(b) The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law.

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-two thousand seven hundred ninety-seven dollars (\$72,797) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-eight thousand six hundred twenty-eight dollars (\$38,628), effective July 1, 2015.

SECTION 30.3.(d) Salary reserves generated by the clerk of superior court offices during the 2015-2016 fiscal year shall be used exclusively by the clerks of superior court. The clerks of superior court may use these funds to award salary increases in addition to those specifically provided for deputy and assistant clerks under the respective salary plans. Any additional increases may be awarded at the discretion of each elected clerk of superior court. The Administrative Office of the Courts shall (i) allocate funds for additional discretionary salary adjustments on a per capita basis and (ii) adopt a plan for distribution of the funds in consultation with the Conference of Clerks of Superior Court.

SECTION 30.3.(e) Effective July 1, 2015, 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' 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 the Director of the Administrative Office of the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.3.(f) Effective July 1, 2015, G.S. 7A-341 reads as rewritten:

"§ 7A-341. Appointment and compensation of Director.

The Director shall be appointed by the Chief Justice of the Supreme Court, to serve ~~at his pleasure. He shall receive the annual salary at the pleasure of the Chief Justice. The Director's annual compensation shall be the same salary amount set for the Chief Judge of the Court of Appeals as 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 longevity pay at the rates and for the service designated in G.S. 7A-44(b) G.S. 7A-18 for a judge of the superior court.~~ Court of Appeals. Service as Director shall be equivalent to service as a ~~superior court judge~~ judge of the Court of Appeals for the purposes of entitlement to retirement pay or to retirement for disability."

SECTION 30.3.(g) G.S. 135-58(a6) reads as rewritten:

"(a6) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

- (1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme ~~Court or Court~~, a judge of the Court of ~~Appeals; Appeals~~, or the Director of the Administrative Office of the Courts;
- (2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior ~~court or as Administrative Officer of the Courts;~~ court;

...."

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) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law.

SECTION 30.4.(c) Legislative employees paid pursuant to subsection (b) of this section shall receive the compensation bonus awarded by this act.

COMMUNITY COLLEGES PERSONNEL

SECTION 30.5. The minimum salaries for nine-month, full-time curriculum community college faculty for the 2015-2017 fiscal biennium shall remain unchanged as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$35,314
Associate Degree or Equivalent	35,819
Bachelor's Degree	38,009
Master's Degree or Education Specialist	39,952

Doctoral Degree

42,753

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

SECTION 30.5.(b) For the 2015-2017 fiscal biennium, the community college boards of trustees may provide personnel a salary increase pursuant to the policies adopted by the State Board of Community Colleges. Funds for compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 30.6. Effective for the 2015-2017 fiscal biennium, the annual compensation of all full-time University of North Carolina SHRA and EHRA employees shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law.

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 any experience step increases authorized in Section 9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 30.8.(a) For the 2015-2017 fiscal biennium:

- (1) Except as provided by Part 9, Section 30.5, Section 30.7, and Section 30.15 of this act, the annual salaries of all employees subject to or exempt from the North Carolina Human Resources Act shall not be legislatively increased, but may be increased as otherwise provided by law.
- (2) All eligible State-supported personnel shall receive a compensation bonus as authorized by this Part.

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) Except as otherwise provided, the salary increases provided in this act do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2015.

SECTION 30.8.(d) Employees shall receive the statutory increases provided by G.S. 20-187.3, 7A-102, and 7A-171.1. Notwithstanding G.S. 20-187.3, the increases authorized by that statute for members of the State Highway Patrol become effective January 1, 2016. Notwithstanding any provision of law to the contrary, the salary increases authorized on the employee anniversary date by G.S. 7A-171.1 for magistrates and G.S. 7A-102 for assistant and deputy clerks of superior court shall become effective January 1, 2016.

SECTION 30.8.(e) 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.(f) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

MOST STATE EMPLOYEES

SECTION 30.9. For the 2015-2017 fiscal biennium, except as otherwise provided by this Part, the annual salaries in effect June 30, 2015, for the following employees shall not be legislatively increased, but may be increased as otherwise allowed by law:

- (1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES, COMPENSATION BONUSES, AND EMPLOYEE BENEFITS AND CLOSURE OF WORKERS' COMPENSATION CLAIMS

SECTION 30.10.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases and compensation bonuses 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 the purposes of legislatively mandated salary increases, compensation bonuses, and employee benefits, except that any funds remaining shall be divided equally between the Parks and Recreation Trust Fund and the reserve for the closure of workers' compensation claims.

SECTION 30.10.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases, compensation bonuses, and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases, compensation bonuses, and employee benefits.

SECTION 30.10.(c) No later than March 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, compensation bonuses, and employee benefits. This report shall include at least the following information for each State agency for the 2015-2017 fiscal biennium:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (4) The total amount of funds anticipated to be used for the Parks and Recreation Trust Fund and closure of workers' compensation claims.

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 President Pro Tempore of the Senate and the Speaker of the House of Representatives on nonlegislative salary increases.

SALARY ADJUSTMENT FUND

SECTION 30.12A.(a) Funds appropriated or otherwise transferred to the General Fund Salary Adjustment by this act or any other provision of law shall be used to fund agency requests for salary range revisions, special minimum rates, grade to band transfers, and geographic site differential adjustments to provide competitive salary rates for affected job classifications or groups in response to changes in labor market rates as documented through data collection and analysis according to accepted human resource professional practices and standards. Funds shall only be used for salary adjustments that are in compliance with State Human Resources Commission policies. Funding shall not be used for other purposes, including in-range adjustments, career progression adjustments, or other adjustments as these terms may be defined by State human resources policy.

SECTION 30.12A.(b) The following salary increases shall be awarded from funds available in the Salary Adjustment Fund for the 2015-2017 fiscal biennium, as follows:

- (1) To increase the salary of the Secretary of Military and Veterans Affairs, the sum of thirty-three thousand seven hundred forty-nine dollars (\$33,749).
- (2) To increase the salary of the Transportation Museum Director, the sum of thirty thousand seven hundred fifteen dollars (\$30,715).

SECTION 30.12A.(c) The Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations prior to transferring any salary adjustment funds for any State agency. No increases from the Salary Adjustment Fund shall be effective before January 1, 2016.

SECTION 30.12A.(d) The Director of the Budget may transfer to General Fund budget codes from the General Fund Salary Adjustment Fund amounts required to support salary adjustments authorized by this section.

SECTION 30.12A.(e) The Judicial Department is eligible for the funding authorized in subsection (a) of this section.

SECTION 30.12A.(f) Employees of the University of North Carolina System, the community colleges, and local school boards are ineligible for the funding authorized in this section.

SECTION 30.12A.(g) Funds may not be used to increase the compensation of job classes that receive other compensation increases provided by law.

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. On or before September 1, annually, 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(e1)(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.

STATE WORKERS' COMPENSATION REFORM

SECTION 30.18.(a) The Director of the Budget shall establish a statewide reserve in the amount of twenty-three million five hundred thousand five hundred forty-three dollars (\$23,500,543) for State agency workers' compensation costs. For the 2015-2016 fiscal year, the

sum of two million dollars (\$2,000,000) shall be used for the closure of existing workers' compensation claims. In addition, fifty percent (50%) of any funds remaining from the appropriations set forth in Section 2.1 of this act for legislatively mandated salary increases, compensation bonuses, and employee benefits shall be credited to the reserve for this purpose.

The Office of State Budget and Management shall distribute the remaining funds to State agencies to fund workers' compensation line items. The distribution shall be based on a historical average of each agency's workers' compensation expenditures. State agencies shall further adjust these line items using receipts.

SECTION 30.18.(b) Article 63 of Chapter 143 of the General Statutes reads as rewritten:

"Article 63.

"State Employees Workplace Requirements Program for ~~Safety and Health~~. Safety, Health, and Workers' Compensation.

"Part I. Executive Branch Programs.

"§ 143-580. Definition.

As used in this Article, "State agency" means any department, commission, division, board, or institution of the State within the executive branch of ~~government~~ government, including The University of North Carolina system, and the Office of Administrative Hearings.

"§ 143-581. Program goals.

~~Each State agency~~ The Office of State Human Resources shall establish a written program for State employee workplace ~~safety and health~~. safety, health, and workers' compensation. The program shall promote safe and healthful working conditions and shall be based on clearly stated goals and objectives for meeting the goals. The program shall provide managers, supervisors, and employees with a clear and firm understanding of the State's concern for protecting employees from job-related injuries and health impairment; preventing accidents and fires; planning for emergencies and emergency medical procedures; identifying and controlling physical, chemical, and biological hazards in the workplace; communicating potential hazards to employees; and assuring adequate housekeeping and sanitation.

"§ 143-582. Program requirements.

The written program required under this Article shall describe at a minimum:

- (1) The methods to be used to identify, analyze, and control new or existing hazards, conditions, and operations.
- (2) How managers, supervisors, and employees are responsible for implementing the program, controlling accident-related expenditures, and how continued participation of management and employees will be established, measured, and maintained.
- (3) How the plan will be communicated to all affected employees so that they are informed of work-related physical, chemical, or biological hazards, and controls necessary to prevent injury or illness.
- (4) How managers, supervisors, and employees will receive training in avoidance of job-related injuries and health impairment.
- (5) How workplace accidents will be reported and investigated and how corrective actions will be implemented.
- (6) How safe work practices and rules will be communicated and enforced.
- (7) The safety and health training program that will be made available to employees.
- (8) How employees can make complaints concerning safety and health problems without fear of retaliation.
- (9) How employees will receive medical attention following a work-related injury or illness.

"§ 143-583. Model program; technical assistance; reports.

(a) ~~The State Human Resources Commission, through the~~ Office of State Human Resources, shall: Resources shall:

- (1) Maintain a model program of safety and health requirements to guide State agencies in the development of their individual programs and in complying with the provisions of G.S. 95-148 and this Article.
- (2) Establish guidelines for the creation and operation of State agency safety and health committees.

- (3) Adopt policies that shall govern the administration of the workers' compensation program and monitor compliance with Chapter 97 of the General Statutes.
- (4) Establish guidelines for the delegation of certain administrative functions as necessary for the administration of the workers' compensation program to State agencies, as defined in this section.
- (b) ~~The Office of State Human Resources shall:~~
 - (1) ~~Provide consultative and technical services to assist State agencies in establishing and administering their workplace safety and health programs and to address specific technical problems.~~
 - (2) ~~Monitor compliance with this Article.~~
- (c) ~~The Office of State Human Resources Commission~~ shall report by September 1, and annually thereafter, to the Joint Legislative Commission on Governmental Operations on the ~~safety and health~~ safety, health, and workers' compensation activities of State agencies, compliance with this Article, and the fines levied against State agencies pursuant to Article 16 of Chapter 95 of the General Statutes.

"§ 143-584. State agency safety and health committees.

~~Each State agency~~ The Office of State Human Resources shall create, pursuant to guidelines adopted under subsection (a) of G.S. 143-583, safety and health committees to perform workplace inspections, review injury and illness records, make advisory recommendations to the agency's managers, and perform other functions determined by the Office of State Human Resources Commission to be necessary for the effective implementation of the State Employees Workplace Requirements Program for Safety and Health ~~the workers' compensation program.~~

"§§ 143-585 through 143-588. Reserved for future codification purposes.

"Part 2. Legislative and Judicial Branch Programs.

"§ 143-589. Legislative and judicial branch safety and health programs.

The Legislative Services Commission and the Administrative Office of the Courts are authorized to separately establish safety and health programs for their employees."

SECTION 30.18.(c) G.S. 143-166.14 reads as rewritten:

"§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation Act applicable after two years; duration of payment.

The salary of any eligible person shall be paid as long as the person's employment in that position continues, notwithstanding the person's total or partial incapacity to perform any duties to which the person may be lawfully assigned, if that incapacity is the result of an injury or injuries ~~proximately caused by the heightened risk and special hazards directly related to the violent nature of~~ resulting from or arising out of an episode of violence, resistance, or due to other special hazards that occur while the eligible person's person is performing official duties, except if that incapacity continues for more than two years from its inception, the person shall, during the further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General Statutes pertaining to workers' compensation. The time period for which an eligible person receives benefits pursuant to this section shall be deducted from the eligible person's total eligibility for benefits pursuant to G.S. 97-29 and G.S. 97-30. For purposes of this section, the term "salary" shall be defined as the total base pay of the person reflected on the person's salary statement and shall not include overtime pay, shift differential pay, holiday pay, or other additional earnings to which the person may have been entitled prior to such incapacity. Salary paid to an eligible person pursuant to this Article shall cease upon the resumption of the person's regularly assigned duties, retirement, resignation, or death, whichever first occurs, except that temporary return to duty shall not prohibit payment of salary for a subsequent period of incapacity which can be shown to be directly related to the original injury."

SECTION 30.18.(d) By February 1, 2016, the Office of State Human Resources shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the implementation of this section.

SECTION 30.18.(e) The Department of Administration shall reclassify three vacant positions within the Department and assign the positions to the Office of State Human Resources to staff the Office's Workers' Compensation program for implementation of the provisions of Article 63 of Chapter 143 of the General Statutes as amended by this act.

COMPENSATION BONUS AWARDED FOR FISCAL YEAR 2015-2016

SECTION 30.18A.(a) Any person (i) whose salary is set by this act in Part 9 or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on November 1, 2015, shall be awarded a one-time, lump-sum compensation bonus for the 2015-2016 fiscal year in the amount of seven hundred fifty dollars (\$750.00), payable during the month of December 2015.

SECTION 30.18A.(b) Notwithstanding G.S. 135-1(7a), the compensation bonus awarded by this section is not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 30.18A.(c) The compensation bonus awarded by this section is not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

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 thirty-two hundredths percent (15.32%) – Teachers and State Employees; (ii) twenty and thirty-two hundredths percent (20.32%) – State Law Enforcement Officers; (iii) twelve and eighty-five hundredths percent (12.85%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-five hundredths percent (12.85%) – Community College Optional Retirement Program; (v) thirty-two and eighty-one hundredths percent (32.81%) – Consolidated Judicial Retirement System; and (vi) seven and forty hundredths percent (7.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes 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-one dollars (\$4,251) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one dollars (\$5,471).

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

...
(e) Other Contributory Coverage. – Any employee of an employing unit is eligible for coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43 and of this section, if (i) the employee's employing unit determines that the employee is a full-time employee and (ii) the employee does not qualify for coverage under subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the full-time status of an employee shall be determined by the employing unit, in its sole discretion, in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The coverage offered and the contribution required for coverage under this section shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage shall do all of the following:

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

SECTION 30.25.(b) G.S. 135-48.41(j) reads as rewritten:

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

SECTION 30.25.(c) This section becomes effective January 1, 2016.

RESERVE FOR FUTURE BENEFITS NEEDS/STATE HEALTH PLAN CASH RESERVE

SECTION 30.26.(a) 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.

SECTION 30.26.(b) During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least twenty percent (20%) of its annual costs. For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan.

SECTION 30.26.(c) On and after January 1, 2016, if the State Health Plan for Teachers and State Employees projects a cash reserve of less than the minimum cash reserve required by this section at any time during the remainder of the 2015-2017 fiscal biennium, or the Fiscal Research Division of the General Assembly notifies the Plan that it projects such a deficiency, the Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations within 60 days of that projection or notification on actions the Department plans to take in order to maintain that required minimum cash reserve.

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

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

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

- a. Approved leave of absence. – Where the employer grants an approved leave of absence, a member may make monthly contributions to the annuity savings fund on the basis of compensation the member was earning immediately prior to such leave of absence. The employer shall make monthly contributions equal to the normal and accrued liability contribution on such

compensation or, in lieu thereof, the member may pay into the annuity savings fund monthly an amount equal to the employer's normal and accrued liability contribution when the policy of the employer is not to make such payment.

- b. No educational leave policy. – Where the employer has a policy of not granting educational leaves of absence or the member has unsuccessfully petitioned for leave of absence and the member has interrupted service for educational purposes, the member may make monthly contributions into the annuity savings fund in an amount equal to the employee contribution plus the employer normal and accrued liability contribution on the basis of the compensation the member was earning immediately prior to the interrupted service.
- c. Educational program prior to July 1, 1981. – Creditable service for leaves of absence or interrupted service for educational purposes prior to July 1, 1981, may be purchased by a member, before or after retirement, who returned as a contributing employee or teacher within 12 months after completing the educational program and completed 10 years of subsequent membership service, by making a lump sum payment into the annuity savings fund equal to the full cost of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance as determined by the Board of Trustees upon the advice of the consulting actuary, plus a fee to be determined by the Board of Trustees.
- d. Employment in a charter school. – Notwithstanding subparagraph a. of this subdivision, where the employer grants an approved leave of absence for the member to be employed in a charter school or where the member's service is interrupted by employment in a charter school, authorized under Part 6A of Article 16 of Chapter 115C of the General Statutes, the member may make monthly contributions into the annuity savings fund in an amount equal to the employee contribution plus the employer normal and accrued liability contribution on the basis of the compensation the member was earning immediately prior to the interrupted service.

Payments required to be made by the member, the employer, or both under subparagraphs a or b are due by the 15th of the month following the month for which the service credit is allowed and payments made after the due date shall be assessed a penalty, in lieu of interest, of one percent (1%) per month or fraction thereof the payment is made beyond the due date; provided, that these payments shall be made prior to retirement and provided further, that if the member did not become a contributing member within 12 months after completing the educational program and failed to complete three years of subsequent membership service, except in the event of death or disability, any payment made by the member including penalty shall be refunded with regular interest thereon and the service credits cancelled prior to or at retirement."

QUALIFIED EXCESS BENEFIT ARRANGEMENT

SECTION 30.30A.(a) G.S. 135-151(j) reads as rewritten:

"(j) Sunset of Eligibility to Participate in the QEBA. – No member of the Teachers' and State Employees' Retirement System retiring ~~on or after January 1, 2015, on or after August 1, 2016,~~ shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new retiree more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

SECTION 30.30A.(b) G.S. 128-38.10(k) reads as rewritten:

"(k) Sunset of Eligibility to Participate in the QEBA. – No member of the North Carolina Local Governmental Employees' Retirement System retiring ~~on or after January 1, 2015, on or after August 1, 2016,~~ shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new retiree more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

PART XXXI. CAPITAL APPROPRIATIONS

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 APPROPRIATIONS/GENERAL FUND

SECTION 31.2. There is appropriated from the General Fund for the 2015-2017 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	2015-2016	2016-2017
Department of Agriculture and Consumer Services Dorton Arena Roof Replacement	2,305,000	–
Department of Cultural Resources USS North Carolina Hull Repair and Cofferdam	3,500,000	–
Department of Environment and Natural Resources Water Resources Development	5,083,000	–
Department of Public Safety Armory and Facility Development Projects	868,000	5,087,500
University of North Carolina North Carolina School of Science and Mathematics – Technology Upgrades and Building Repair	4,000,000	–
NC State University Engineering Building Advance Planning	1,000,000	1,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$16,756,000	\$6,087,500

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) appropriated for water resources development projects in Section 31.2 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 Public Safety		
National Guard – Wilmington Replacement	14,200,000	–
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	\$33,840,200	5,440,000

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(d). 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) In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors shall negatively weight the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was complied with in any report submitted pursuant to G.S. 143C-4-3(d).

SECTION 31.5.(e) Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of nine million five hundred thousand dollars (\$9,500,000) shall be used for Legislative Building Roof Replacement and Asbestos Abatement.

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 Joint Legislative Oversight Committee on Capital Improvements 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 appropriated 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.

SECTION 31.8.(c) Notwithstanding subsection (a) of this section, the sum of two hundred fifty thousand dollars (\$250,000) of the funds appropriated in Section 31.2(a) of this act for armory and facility development projects in the 2015-2016 fiscal year shall be used to provide a State match to federal funds for planning and construction of a North Carolina National Guard facility to be located within the 420 acres surrounding the latitude and longitude point 35°11.0994'N – 082°37.1166'W. The Department shall consult with the North Carolina National Guard in the design and site selection of the facility. Funds allocated pursuant to this subsection shall not revert at the end of the 2015-2016 fiscal year but shall be retained by the Department until the facility is completed or June 30, 2020, whichever first occurs.

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 completed advanced planning through schematic design of the project with funds other than General Fund appropriations.

...."

PLAN FOR RELOCATING ALL DHHS OFFICES TO ONE LOCATION

SECTION 31.10.(a) The Department of Health and Human Services, in consultation with the Department of Administration, shall develop a plan for relocating the administrative personnel and resources of the Department of Health and Human Services that are located on the Dorothea Dix campus and on other property leased or owned by the State in the Greater Triangle area (consisting of Durham, Orange, Johnston, and Wake Counties) to one site available to the State. The plan shall not provide for the relocation of personnel and resources whose primary responsibilities include the provision of services directly to the public in the Greater Triangle area. The Department shall report the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by 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 all of 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, neither the Department of Health and Human Services nor the Department of Administration shall 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 or on other property leased or owned by the State in the Greater Triangle area to another site 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.

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 is one of the types set forth in G.S. 143C-4-3(b)(1) through (12), regardless of whether the relevant State facilities and related infrastructure are supported from the General Fund.
- (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.

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, at least two of whom are members of the minority party.
- (2) Eight members of the Senate appointed by the President Pro Tempore of the Senate, at least two of whom are members of the minority party.

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.

UNC CARRYFORWARD/TEMPORARY INCREASE ENDING JULY 1, 2017/MUST BE USED FOR REPAIRS AND RENOVATIONS

SECTION 31.17.(a) Notwithstanding G.S. 116-30.3(a), the amount carried forward in each budget code under that subsection on June 30, 2016, shall not exceed five percent (5%) of the General Fund appropriation in that budget code. Any amount carried forward in a budget code that is in excess of two and one-half percent (2.5%) of the General Fund appropriation in that budget code shall be used only (i) for projects that are eligible to receive funds from the Repairs and Renovations Reserve under G.S. 143C-4-3(b) or (ii) for advanced planning of capital improvement projects.

SECTION 31.17.(b) The Board of Governors of The University of North Carolina shall submit the following written reports to the Joint Legislative Commission on

Governmental Operations and to the Fiscal Research Division on the allocation and use of funds accruing from the temporary increase in the carryforward provided by subsection (a) of this section:

- (1) A report on expenditures for repairs and renovations no later than October 1, 2017.
- (2) A report on any expenditures for advanced planning no later than 30 days after the funds are spent.

MCGOUGH ARENA REPAIR PROJECT CHANGES

SECTION 31.18. Section 36.12(f)(5) of S.L. 2014-100 reads as rewritten:

"SECTION 36.12.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated and expended as provided in this subsection:

- ...
- (5) A maximum aggregate principal amount of two million dollars (\$2,000,000) to finance the capital facility costs of repairing or renovating the roof of the McGough Arena and other facilities at the Western North Carolina Agricultural Center."

TECHNICAL CORRECTION RELATING TO USS NORTH CAROLINA BATTLESHIP REPAIRS

SECTION 31.19. 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."

SBI/SHP PERIMETER FENCE

SECTION 31.21. The Department of Public Safety may use funds available during the 2015-2017 fiscal biennium to complete a SBI/SHP perimeter fence.

PALLIATIVE CARE UNIT AT CENTRAL PRISON

SECTION 31.22. The Department of Public Safety shall take appropriate measures, including maximizing the use of the Inmate Construction Program, to reduce costs related to construction of correctional projects authorized in S.L. 2007-323, as amended by S.L. 2009-209 and S.L. 2009-451, and S.L. 2008-107, as amended by S.L. 2009-209 and S.L. 2009-451. The Department, with the approval of the Office of State Budget and Management, may use the funds from any savings generated, together with available funds, to finance the capital facility costs of renovating existing space at Central Prison for bed space for long-term palliative care. No additional special indebtedness may be issued or incurred to finance the construction of bed space for such care. The use of funds authorized by this section shall not require further approval by the Council of State pursuant to Chapter 142 of the General Statutes.

PART XXXII. FINANCE PROVISIONS

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
 0
 \$10 million

Up To
 \$10 million
 \$20 million

Rate
 15.00%
 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, 2020."

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, 2016, 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.

CORPORATE INCOME TAX RATE REDUCTION AND TAX BASE EXPANSION

SECTION 32.13.(a) G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations.

A tax is imposed on the State net income of every C Corporation doing business in this State at the rate of ~~five percent (5%)~~ four percent (4%). An S Corporation is not subject to the tax levied in this section."

SECTION 32.13.(b) G.S. 105-130.3C reads as rewritten:

"§ 105-130.3C. Rate reduction trigger.

(a) Trigger. —~~If~~ When the amount of net General Fund tax collected in a fiscal year ~~2014-2015 or fiscal year 2015-2016~~ exceeds twenty billion nine hundred seventy-five million dollars (\$20,975,000), ~~the targeted amount for that fiscal year,~~ the rate of tax set in G.S. 105-130.3 ~~may~~ must be decreased in accordance with this section ~~to three percent (3%)~~ effective for the taxable year that begins on the following January 1. The Secretary must notify taxpayers if the rate decreases under this section. ~~The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2014-2015 exceed the targeted amount of twenty billion two hundred million dollars (\$20,200,000,000). The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2015-2016 exceed the targeted amount of twenty billion nine hundred seventy five million dollars (\$20,975,000,000).~~ Effective for taxable years beginning on or after January 1, 2017, the rate of tax set in G.S. 105-130.3 is the rate determined in accordance with this section.

(b) Tax Collections. — For purposes of this section, the amount of net General Fund tax collected for a fiscal year is the amount of net revenue as reported by the Department of Revenue's June Statement of Collection as "Total General Fund Revenue" for the 12-month period that ended the previous June 30, modified as follows:

- (1) Less any large one-time, nonrecurring revenue as reported to the Fiscal Research Division of the General Assembly by the Department and verified by the Fiscal Research Division of the General Assembly.
- (2) Adjusted by any changes in net collections resulting from the suspension or termination of transfers out of General Fund tax collections."

SECTION 32.13.(c) G.S. 105-130.5(b)(6), (7), (12), (13), (15), (18), (19), and (22), G.S. 105-130.5(c)(5), and G.S. 105-130.10 are repealed.

SECTION 32.13.(d) G.S. 105-130.5 reads as rewritten:

"§ 105-130.5. Adjustments to federal taxable income in determining State net income.

(a) The following additions to federal taxable income shall be made in determining State net income:

- ...
- (25) The amount of net interest expense to a related member as determined under G.S. 105-130.7B.

(b) The following deductions from federal taxable income shall be made in determining State net income:

- ...
- (3a) Dividends treated as received from sources outside the United States as determined under section 862 of the Code, net of related expenses, to the extent included in federal taxable income. Notwithstanding the proviso in subdivision (c)(3) of this section, the netting of related expenses shall be calculated in accordance with subdivision (c)(3) of this ~~section~~ and G.S. 105-130.6A section.

- ...
- (11) If a deduction for an ordinary and necessary business expense was required to be reduced or was not allowed under the Code because the corporation claimed a federal tax credit against its federal income tax liability for the income year in lieu of a deduction, the amount by which the deduction was reduced and the amount of the deduction that was disallowed. ~~This deduction is allowed only to the extent that a similar credit is not allowed by this Chapter for the amount.~~

...
(28) The amount of qualified interest expense to a related member as determined under G.S. 105-130.7B.

(c) The following other adjustments to federal taxable income shall be made in determining State net income:

...
(3) No deduction is allowed for any direct or indirect expenses related to income not taxed under this Part; provided, no adjustment shall be made under this subsection for adjustments addressed in G.S. 105-130.5(a) and (b). ~~G.S. 105-130.6A applies to the adjustment for expenses related to dividends received that are not taxed under this Part.~~ For dividends received that are not taxed under this Part, the adjustment for expenses may not exceed an amount equal to fifteen percent (15%) of the dividends.

...."
SECTION 32.13.(e) G.S. 105-130.6A is repealed.

SECTION 32.13.(f) Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-130.7B. Limitation on qualified interest for certain indebtedness.

(a) Limitation. – In determining State net income, a deduction is allowed only for qualified interest expense paid or accrued by the taxpayer to a related member during a taxable year. This section does not limit the Secretary's authority to adjust a taxpayer's net income as it relates to payments to or charges by a parent, subsidiary, or affiliated corporation in excess of fair compensation in an intercompany transaction under G.S. 105-130.5(a)(9).

(b) Definitions. – The definitions in G.S. 105-130.7A apply in this section. In addition, the following definitions apply in this section:

(1) Adjusted taxable income. – State net income of the taxpayer determined without regard to this section and other adjustments as the Secretary may by rule provide.

(2) Bank. – One or more of the following, or a subsidiary or affiliate of one or more of the following:

a. A bank holding company as defined in the federal Bank Holding Company Act of 1956, as amended.

b. One or more of the following entities incorporated or chartered under the laws of this State, another state, or the United States:

1. A bank. This term has the same meaning as defined in G.S. 53C-1-4.

2. A savings bank. This term has the same meaning as defined in G.S. 54C-4.

3. A savings and loan association. This term has the same meaning as defined in G.S. 54B-4.

4. A trust company. This term has the same meaning as defined in G.S. 53C-1-4.

(3) Net interest expense. – The excess of the interest paid or accrued by the taxpayer to a related member during the taxable year over the amount of interest from a related member includible in the gross income of the taxpayer for the taxable year.

(4) Qualified interest expense. – The amount of net interest expense paid or accrued to a related member in a taxable year not to exceed thirty percent (30%) of the taxpayer's adjusted taxable income. This limitation does not apply to interest paid or accrued to a related member if one or more of the following applies:

a. Tax is imposed by the State under this Article on the related member with respect to the interest.

b. The related member pays a net income tax or gross receipts tax to another state with respect to the interest income.

c. The related member is organized under the laws of a foreign country that has a comprehensive income tax treaty with the United States, and that country taxes the interest income at a rate equal to or greater than G.S. 105-130.3.

d. The related member is a bank."

SECTION 32.13.(g) G.S. 105-102.3 is repealed.

SECTION 32.13.(h) Subsection (g) of this section becomes effective July 1, 2016.

The remainder of this section becomes effective for taxable years beginning on or after January 1, 2016.

PHASE-IN SINGLE SALES FACTOR APPORTIONMENT AND STUDY MARKET-BASED SOURCING

SECTION 32.14.(a) Effective for taxable years beginning on or after January 1, 2016, G.S. 105-130.4(i) reads as rewritten:

"(i) ~~All Apportionable Income. – Except as otherwise provided in this section, all apportionable income of corporations other than public utilities, excluded corporations, and qualified capital intensive corporations shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus twice three times the sales factor, and the denominator of which is four five. If the sales factor does not exist, the denominator of the fraction is the number of existing factors and if the sales factor exists but the payroll factor or the property factor does not exist, the denominator of the fraction is the number of existing factors plus one two.~~"

SECTION 32.14.(b) Effective for taxable years beginning on or after January 1, 2017, G.S. 105-130.4(i), as amended by subsection (a) of this section, reads as rewritten:

"(i) Apportionable Income. – Except as otherwise provided in this section, all apportionable income of corporations shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus ~~three four~~ times the sales factor, and the denominator of which is ~~five six~~. If the sales factor does not exist, the denominator of the fraction is the number of existing factors and if the sales factor exists but the payroll factor or the property factor does not exist, the denominator of the fraction is the number of existing factors plus ~~two three~~."

SECTION 32.14.(c) Effective for taxable years beginning on or after January 1, 2018, G.S. 105-130.4(i), as amended by subsection (b) of this section, reads as rewritten:

"(i) Apportionable Income. – Except as otherwise provided in this section, all apportionable income of corporations shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus ~~four times the sales factor, and the denominator of which is six. If the sales factor does not exist, the denominator of the fraction is the number of existing factors and if the sales factor exists but the payroll factor or the property factor does not exist, the denominator of the fraction is the number of existing factors plus three.~~ the sales factor as determined under subsection (l) of this section."

SECTION 32.14.(d) Effective for taxable years beginning on or after January 1, 2018, G.S. 105-130.4(a)(6), (a)(9), (j), (k), (r), and (s1) are repealed.

SECTION 32.14.(e) Except as otherwise provided, this section is effective when it becomes law.

SECTION 32.14A.(a) The Revenue Laws Study Committee is directed to study the calculation of the sales factor under G.S. 105-130.4(l) using market-based sourcing. To help the Committee determine the effect of market-based sourcing on corporate taxpayers, each corporate taxpayer with apportionable income greater than ten million dollars (\$10,000,000) and a North Carolina apportionment percentage less than one hundred percent (100%) is required to file an informational report with the Department of Revenue as provided in this section.

SECTION 32.14A.(b) As part of its 2015 income tax return required under Article 4 of Chapter 105 of the General Statutes, each corporation with an apportionment percentage less than one hundred percent (100%) and an apportionable income of more than ten million dollars (\$10,000,000) must file an informational report with the Department of Revenue showing the calculation of the taxable year 2014 sales factor using market-based sourcing as provided below:

- (1) In the case of sale, rental, lease, or license of real property, if and to the extent the property is located in this State.
- (2) In the case of rental, lease, or license of tangible personal property, if and to the extent the property is located in this State.

- (3) In the case of sale of a service, if and to the extent the service is delivered to a location in this State.
- (4) In the case of intangible property that is rented, leased, or licensed, if and to the extent the property is used in this State. Intangible property utilized in marketing a good or service to a consumer is "used in this State" if that good or service is purchased by a consumer who is in this State.
- (5) In the case of intangible property that is sold, if and to the extent the property is used in this State. A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is "used in this State" if the geographic area includes all or part of this State.

Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property as provided under subdivision (4) of this subsection. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the sales factor.

SECTION 32.14A.(c) The sales factor calculation required by this section must be based on the model market-sourcing regulations drafted by the Multi-State Tax Commission. The Department of Revenue may publish additional market-based sourcing guidelines consistent with the Multi-State Tax Commission regulations.

SECTION 32.14A.(d) The informational report must be in a form required by the Secretary of Revenue and contain the following information:

- (1) The corporation's 2014 apportionment percentage used on the corporation's 2014 North Carolina corporate tax return.
- (2) The corporation's 2014 apportionment percentage as calculated under subsection (b) of this section.
- (3) The corporation's primary industry code under NAICS. The term "NAICS" has the same meaning as defined in G.S. 105-228.90.
- (4) Any other information prescribed by the Secretary.

SECTION 32.14A.(e) The informational report is due at the time corporate taxpayer's return is due for the 2015 taxable year under G.S. 105-130.17(b). A taxpayer may not request an extension of time to file the informational report. The Secretary shall assess a civil penalty of five thousand dollars (\$5,000) for failure to timely file an informational report required under this section. The Secretary may reduce or waive the penalty as provided in G.S. 105-237.

SECTION 32.14A.(f) This section is effective when it becomes law.

FRANCHISE TAX BASE CHANGES

SECTION 32.15.(a) G.S. 105-114(b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

- ...
- (5) Total assets. – The sum of all cash, investments, furniture, fixtures, equipment, receivables, intangibles, and any other items of value owned by a person or a business entity."

SECTION 32.15.(b) G.S. 105-120.2 reads as rewritten:

"§ 105-120.2. Franchise or privilege tax on holding companies.

(a) Every corporation, domestic and foreign, incorporated or, by an act, domesticated under the laws of this State or doing business in this State that, at the close of its taxable year, is a holding company as defined in subsection (c) of this section, shall, pursuant to the provisions of G.S. 105-122, do all of the following:

- (1) File a return.
- (2) Determine the total amount of its ~~issued and outstanding capital stock, surplus and undivided profits~~ net worth.
- (3) Apportion ~~such outstanding capital stock, surplus and undivided profits~~ its net worth to this State.

(b) ~~(4) Tax Rate.~~ – Every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, the greater of the following:

- (1) ~~a~~ A franchise or privilege tax at the rate of one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of the amount determined under subsection (a) of this section, but in no case shall the tax be more than ~~seventy five thousand dollars (\$75,000) nor less than thirty five dollars (\$35.00)~~ one hundred fifty thousand dollars (\$150,000) nor less than two hundred dollars (\$200.00).
- (2) ~~Notwithstanding the provisions of subdivision (1) of this subsection, if~~ If the tax produced pursuant to application of calculated under this paragraph (2) subdivision exceeds the tax produced pursuant to application of calculated under subdivision (1), (1) of this subsection, then the tax is levied at the rate of one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) on the greater of the following:
 - a. Fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each such corporation plus the total appraised value of intangible property returned for taxation of intangible personal property as computed under G.S. 105-122(d).
 - b. The total actual investment in tangible property in this State of such corporation as computed under G.S. 105-122(d).

...."

SECTION 32.15.(c) G.S. 105-122(b)(4), (5), (6), (7), and (8) and G.S. 105-122(d1) are repealed.

SECTION 32.15.(d) G.S. 105-122, as amended by subsection (c) of this section, reads as rewritten:

"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.

(a) Tax Imposed. – An annual franchise or privilege tax is imposed on a corporation doing business in this State. The tax is determined on the basis of the books and records of the corporation as of the close of its income year. A corporation subject to the tax must file a return under affirmation with the Secretary at the place and in the manner prescribed by the Secretary. The return must be signed by the president, vice-president, treasurer, or chief financial officer of the corporation. The return is due on or before the fifteenth day of the fourth month following the end of the corporation's income year.

(b) Determination of Capital Base.—Net Worth. – A corporation taxed under this section shall determine the total amount of its ~~issued and outstanding capital stock, surplus, and undivided profits. No reservation or allocation from surplus or undivided profits is allowed except as provided below:~~ net worth. The net worth of a corporation is its total assets without regard to the deduction for accumulated depreciation, depletion, or amortization less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the corporation's taxable year. If the corporation does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes so long as the method fairly reflects the corporation's net worth for purposes of the tax levied by this section. A corporation's net worth is subject to the following adjustments:

- (1) ~~Definite and accrued legal liabilities.~~ A deduction for accumulated depreciation, depletion, and amortization is determined in accordance with the method used for federal tax purposes.
- (1a) ~~Billings in excess of costs that are considered a deferred liability under the percentage of completion method of revenue recognition.~~
- (2) ~~Taxes accrued, dividends declared, and reserves for depreciation of tangible assets and for amortization of intangible assets as permitted for income tax purposes.~~ An addition for indebtedness the corporation owes to a parent, a subsidiary, an affiliate, or a noncorporate entity in which the corporation or an affiliated group of corporations owns directly or indirectly more than fifty percent (50%) of the capital interests of the noncorporate entity. The amount added back to the corporation's net worth may be further adjusted if part of the capital of the creditor is capital borrowed from a source other than a parent, a subsidiary, or an affiliate. The debtor corporation may deduct a proportionate part of the indebtedness based on the ratio of the borrowed capital of the creditor to the total assets of the creditor. For purposes of this

subdivision, borrowed capital does not include indebtedness incurred by a bank arising out of the receipt of a deposit and evidenced by a certificate of deposit, a passbook, a cashier's check, a certified check, or other similar document.

- (2a) If the creditor corporation is taxable under this Article, the creditor corporation may deduct the amount of indebtedness owed to it by a parent, subsidiary, or affiliated corporation to the extent that such indebtedness has been added by the debtor corporation.
- (3) ~~When including deferred tax liabilities, a corporation may reduce the amount included in its base by netting against that amount deferred tax assets. The reduction may not decrease deferred tax liabilities below zero (0).~~ A corporation may deduct the cost of treasury stock.

...

~~Every corporation doing business in this State which is a parent, subsidiary, or affiliate of another corporation shall add to its capital stock, surplus, and undivided profits all indebtedness owed to a parent, subsidiary, or affiliated corporation as a part of its capital used in its business and as a part of the base for franchise tax under this section. If any part of the capital of the creditor corporation is capital borrowed from a source other than a parent, subsidiary, or affiliate, the debtor corporation, which is required under this subsection to include in its tax base the amount of debt by reason of being a parent, subsidiary, or affiliate of the creditor corporation, may deduct from the debt included a proportionate part determined on the basis of the ratio of the borrowed capital of the creditor corporation to the total assets of the creditor corporation. If the creditor corporation is also taxable under the provisions of this section, the creditor corporation is allowed to deduct from the total of its capital, surplus, and undivided profits the amount of any debt owed to it by a parent, subsidiary or affiliated corporation to the extent that the debt has been included in the tax base of the parent, subsidiary, or affiliated debtor corporation reporting for taxation under the provisions of this section.~~

(b1) Definitions. – The following definitions apply in subsection (b) of this section:

- (1) Affiliate. – The same meaning as specified in G.S. 105-130.2. A corporation is an affiliate of another corporation when both are directly or indirectly controlled by the same parent corporation or by the same or associated financial interests by stock ownership, interlocking directors, or by any other means whatsoever, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.
- (2) Affiliated group. – The same meaning as defined in G.S. 105-114.1.
- (3) Capital interest. – The right under an entity's governing law to receive a percentage of the entity's assets upon dissolution after payments to creditors.
- (4) Governing law. – The law under which the noncorporate entity is organized.
- (2)(5) Indebtedness. – All loans, credits, goods, supplies, or other capital of whatsoever nature furnished by a parent, a subsidiary, or affiliated corporation, an affiliate, or a noncorporate entity in which the corporation or an affiliated group of corporations owns directly or indirectly more than fifty percent (50%) of the capital interests of the noncorporate entity, other than indebtedness endorsed, guaranteed, or otherwise supported by one of these corporations.
- (6) Noncorporate entity. – A person that is neither a human being nor a corporation.
- (3)(7) Parent. – The same meaning as specified in G.S. 105-130.2. A corporation is a parent of another corporation when, directly or indirectly, it controls the other corporation by stock ownership, interlocking directors, or by any other means whatsoever exercised by the same or associated financial interests, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.
- (4)(8) Subsidiary. – The same meaning as specified in G.S. 105-130.2. A corporation is a subsidiary of another corporation when, directly or indirectly, it is subject to control by the other corporation by stock ownership, interlocking directors, or by any other means whatsoever exercised by the same or associated financial interest, whether the control is

direct or through one or more subsidiary, affiliated, or controlled corporations.

(c1) Apportionment. – A corporation that is doing business in this State and in one or more other states must apportion its ~~capital stock, surplus, and undivided profits~~ net worth to this State. A corporation must use the apportionment method set out in subdivision (1) of this subsection unless the Department has authorized it to use a different method under subdivision (2) of this subsection. The portion of a corporation's ~~capital stock, surplus, and undivided profits~~ net worth determined by applying the appropriate apportionment method is considered the amount of ~~capital stock, surplus, and undivided profits~~ net worth the corporation uses in its business in this State.

(1) Statutory. – A corporation that is subject to income tax under Article 4 of this Chapter must apportion its ~~capital stock, surplus, and undivided profits~~ net worth by using the fraction it applies in apportioning its income under that Article. A corporation that is not subject to income tax under Article 4 of this Chapter must apportion its ~~capital stock, surplus, and undivided profits~~ net worth by using the fraction it would be required to apply in apportioning its income if it were subject to that Article. The apportionment method set out in this subdivision is considered the statutory method of apportionment and is presumed to be the best method of determining the amount of a corporation's ~~capital stock, surplus, and undivided profits~~ net worth attributable to the corporation's business in this State.

(2) Alternative. – A corporation that believes the statutory apportionment method set out in subdivision (1) of this subsection subjects a greater portion of its ~~capital stock, surplus, and undivided profits~~ net worth to tax under this section than is attributable to its business in this State may make a written request to the Secretary for permission to use an alternative method. The request must set out the reasons for the corporation's belief and propose an alternative method. The corporation has the burden of establishing by clear, cogent, and convincing proof that the statutory apportionment method subjects a greater portion of the corporation's ~~capital stock, surplus, and undivided profits~~ net worth to tax under this section than is attributable to its business in this State and that the proposed alternative method is a better method of determining the amount of the corporation's ~~capital stock, surplus, and undivided profits~~ net worth attributable to the corporation's business in this State.

The Secretary must issue a written decision on a corporation's request for an alternative apportionment method. If the decision grants the request, it must describe the alternative method the corporation is authorized to use and state the tax years to which the alternative method applies. A decision may apply to no more than three tax years. A corporation may renew a request to use an alternative apportionment method by following the procedure in this subdivision. A decision of the Secretary on a request for an alternative apportionment method is final and is not subject to administrative or judicial review. A corporation authorized to use an alternative method may apportion its ~~capital stock, surplus, and undivided profits~~ net worth in accordance with the alternative method or the statutory method.

(3) Repealed by Session Laws 2011-330, s. 5, effective June 27, 2011.

(d) Tax Base and Tax Rate. – After determining the proportion of its ~~total capital stock, surplus and undivided profits~~ net worth as set out in subsection (c1) of this section, which amount shall not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each corporation nor less than its total actual investment in tangible property in this State, every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate of one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of the total amount of ~~capital stock, surplus and undivided profits~~ net worth as provided in this section. The tax imposed in this section shall not be less than ~~thirty five dollars (\$35.00)~~ two hundred dollars (\$200.00) and is for the privilege of carrying on, doing business, and/or the continuance of articles of incorporation or domestication of each corporation in this State. Appraised value of tangible property including real estate is the ad

valorem valuation for the calendar year next preceding the due date of the franchise tax return. The term "total actual investment in tangible property" as used in this section means the total original purchase price or consideration to the reporting taxpayer of its tangible properties, including real estate, in this State plus additions and improvements thereto less reserve for depreciation as permitted for income tax purposes, and also less any indebtedness incurred and existing by virtue of the purchase of any real estate and any permanent improvements made thereon. In computing "total actual investment in tangible personal property" a corporation may deduct reserves for the entire cost of any air cleaning device or sewage or waste treatment plant, including waste lagoons, and pollution abatement equipment purchased or constructed and installed which reduces the amount of air or water pollution resulting from the emission of air contaminants or the discharge of sewage and industrial wastes or other polluting materials or substances into the outdoor atmosphere or into streams, lakes, or rivers, upon condition that the corporation claiming this deduction shall furnish to the Secretary a certificate from the Department of Environment and Natural Resources or from a local air pollution control program for air cleaning devices located in an area where the Environmental Management Commission has certified a local air pollution control program pursuant to G.S. 143-215.112 certifying that said Department or local air pollution control program has found as a fact that the air cleaning device, waste treatment plant or pollution abatement equipment purchased or constructed and installed as above described has actually been constructed and installed and that the device, plant or equipment complies with the requirements of the Environmental Management Commission or local air pollution control program with respect to the devices, plants or equipment, that the device, plant or equipment is being effectively operated in accordance with the terms and conditions set forth in the permit, certificate of approval, or other document of approval issued by the Environmental Management Commission or local air pollution control program and that the primary purpose is to reduce air or water pollution resulting from the emission of air contaminants or the discharge of sewage and waste and not merely incidental to other purposes and functions. The cost of constructing facilities of any private or public utility built for the purpose of providing sewer service to residential and outlying areas is treated as deductible for the purposes of this section; the deductible liability allowed by this section applies only with respect to pollution abatement plants or equipment constructed or installed on or after January 1, 1955.purposes.

...
(e) Short Period. – Any corporation which changes its income year, and files a "short period" income tax return pursuant to G.S. 105-130.15 shall file a franchise tax return in accordance with the provisions of this section in the manner and as of the date specified in subsection (a) of this section. Such corporation shall be entitled to deduct from the total franchise tax computed (on an annual basis) on such return the amount of franchise tax previously paid which is applicable to the period subsequent to the beginning of the new income year.

(f) Return and Tax. – The return and tax required by this section are in addition to all other reports required or taxes levied and assessed in this State.

(g) Local Prohibition. – Counties, cities and towns shall not levy a franchise tax on corporations taxed under this section."

SECTION 32.15.(e) G.S. 105-114.1 reads as rewritten:

"§ 105-114.1. Limited liability companies.

...
(b) Controlled Companies. – If a corporation or an affiliated group of corporations owns more than fifty percent (50%) of the capital interests in a noncorporate limited liability company, the corporation or group of corporations must include in its three tax bases pursuant to G.S. 105-122 the same percentage of (i) the noncorporate limited liability company's capital stock, surplus, and undivided profits; net worth; (ii) fifty-five percent (55%) of the noncorporate limited liability company's appraised ad valorem tax value of property; and (iii) the noncorporate limited liability company's actual investment in tangible property in this State, as appropriate.

...
(d) No Double Inclusion. – If a corporation is required to include a percentage of a noncorporate limited liability company's assets in its tax bases under this Article pursuant to subsection (b) of this section, its investment in the noncorporate limited liability company is not included in its computation of capital stock net worth base under G.S. 105-122(b).

...."

SECTION 32.15.(f) G.S. 105-125(b) reads as rewritten:

"(b) Certain Investment Companies. – A corporation doing business in North Carolina that meets one or more of the following conditions may, in determining its ~~capital stock, surplus, and undivided profits base~~ net worth base for franchise tax, deduct the aggregate market value of its investments in the stocks, bonds, debentures, or other securities or evidences of debt of other corporations, partnerships, individuals, municipalities, governmental agencies, or governments:

- (1) A regulated investment company. – A regulated investment company is an entity that qualifies as a regulated investment company under section 851 of the Code.
- (2) A REIT, unless the REIT is a captive REIT. – The terms "REIT" and "captive REIT" have the same meanings as defined in G.S. 105-130.12."

SECTION 32.15.(g) This section is effective January 1, 2017, for taxes due on or after that date.

INDIVIDUAL INCOME TAX REDUCTIONS

SECTION 32.16.(a) G.S. 105-153.5(a)(1), as amended by S.L. 2015-6, reads as

rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

- (1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$15,000 <u>\$15,500</u>
Head of Household	12,000 <u>12,400</u>
Single	7,500 <u>7,750</u>
Married, filing separately	7,500 <u>7,750.</u>

SECTION 32.16.(b) G.S. 105-153.5(a)(2) reads as rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

- (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. – The amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year.

b. Mortgage Expense and Property Tax. – 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~~ allowed 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 and Dental Expense. – The amount allowed as a deduction for medical and dental expenses under section 213 of the Code for that taxable year."

SECTION 32.16.(c) G.S. 105-153.7(a) reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax is ~~five and seventy-five hundredths percent (5.75%)~~four hundred ninety-nine thousandths percent (5.499%) of the taxpayer's North Carolina taxable income."

SECTION 32.16.(d) Subsection (a) of this section is effective for taxable years beginning on or after January 1, 2016. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2015. Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2017.

SECTION 32.16A.(a) G.S. 105-163.2 reads as rewritten:

"§ 105-163.2. **Employers must withhold taxes.**

...
(b) Withholding Tables. – The manner of withholding and the amount to be withheld shall be determined in accordance with tables and rules adopted by the Secretary. The withholding of wages pursuant to and in accordance with these tables shall be deemed as a matter of law to constitute compliance with the provisions of subsection (a) of this section, notwithstanding any other provisions of this Article. The Secretary shall promulgate tables for computing amounts to be withheld with respect to different rates of wages for different payroll periods applicable to the various combinations of allowances to which an employee may be entitled and taking into account the appropriate standard deduction. The tables may provide for the same amount to be withheld within reasonable salary brackets or ranges so designed as to result in the withholding during a year of approximately the amount of an employee's indicated income tax liability for that year.

The withholding allowances provided by these tables and rules shall, as nearly as possible, approximate the amount of the employee's indicated income tax liability for that year based upon all of the following factors:

- (1) An income tax rate equal to the rate set in G.S. 105-153.7 plus one-tenth of one percent (0.1%).
- (2) ~~the~~ The additions the employee is required to make under Article 4 of this Chapter and the deductions, Chapter.
- (3) The deductions and credits to which an employee is entitled under Article 4 of this Chapter. The Secretary shall promulgate tables for computing amounts to be withheld with respect to different rates of wages for different payroll periods applicable to the various combinations of allowances to which an employee may be entitled and taking into account the appropriate standard deduction. The tables may provide for the same amount to be withheld within reasonable salary brackets or ranges so designed as to result in the withholding during a year of approximately the amount of an employee's indicated income tax liability for that year. The withholding of wages pursuant to and in accordance with these tables shall be deemed as a matter of law to constitute compliance with the provisions of subsection (a) of this section, notwithstanding any other provisions of this Article.

...
(e) Alternatives to Tables. – If the Secretary determines that use of the withholding tables would be impractical, would impose an unreasonable burden on an employer, or would produce substantially incorrect results, the Secretary may authorize or require an employer to use some other method of determining the amounts to be withheld under this Article. The alternative method authorized by the Secretary must reasonably approximate the predicted income tax liability of the affected ~~employees.~~ employees based upon the factors provided in subsection (b) of this section. In addition, with the agreement of the employer and employee,

the Secretary may authorize an employer to use an alternative method that results in withholding of a greater amount than otherwise required under this section.

The Secretary's authorization of an alternative method is discretionary and may be cancelled at any time without advance notice if the Secretary finds that the method is being abused or is not resulting in the withholding of an amount reasonably approximating the predicted income tax liability of the affected employees. The Secretary shall give an employer written notice of any cancellation and the findings upon which the cancellation is based. The cancellation becomes effective upon the employer's receipt of this notice or on the third day after the notice was mailed to the employer, whichever occurs first. If the employer requests a hearing on the cancellation within 30 days after the cancellation, the Secretary shall grant a hearing. After a hearing, the Secretary's findings are conclusive."

SECTION 32.16A.(b) This section is effective for taxable years beginning on or after January 1, 2016.

EXPAND SALES TAX BASE

SECTION 32.18.(a) G.S. 105-164.3, as amended by S.L. 2015-6, reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

- ...
- (32) Purchase. – Acquired for ~~consideration~~, consideration or consideration in exchange for a service, regardless of any of the following:
- a. Whether the acquisition was effected by a transfer of title or possession, or both, or a license to use or consume.
 - b. Whether the transfer was absolute or conditional regardless of the means by which it was effected.
 - c. Whether the consideration is a price or rental in money or by way of exchange or barter.
- ...
- (33a) 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. The term does not include a person engaged in retail trade.
- ...
- (33d) Repair, maintenance, and installation services. – The term includes the activities listed in this subdivision:
- a. To keep or attempt to keep tangible personal property or a motor vehicle in working order to avoid breakdown and prevent repairs.
 - b. To calibrate, restore, or attempt to calibrate or restore tangible personal property or a motor vehicle to proper working order or good condition. This activity may include replacing or putting together what is torn or broken.
 - c. To troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore tangible personal property or a motor vehicle to proper working order or good condition.
 - d. To install or apply tangible personal property except tangible personal property installed or applied by a real property contractor pursuant to a real property contract.
- ...
- (35) Retailer. – Any of the following persons:
- a. A person engaged in business of making sales at retail, offering to make sales at retail, or soliciting sales at retail of tangible personal property, digital property, or services for storage, use, or consumption in this State. When the Secretary finds it necessary for

the efficient administration of this Article to regard any sales representatives, solicitors, representatives, consignees, peddlers, or truckers as agents of the dealers, distributors, consignors, supervisors, employers, or persons under whom they operate or from whom they obtain the items sold by them regardless of whether they are making sales on their own behalf or on behalf of these dealers, distributors, consignors, supervisors, employers, or persons, the Secretary may so regard them and may regard the dealers, distributors, consignors, supervisors, employers, or persons as "retailers" for the purpose of this Article.

- b. A person engaged in business of delivering, erecting, installing, or applying tangible personal property for use in this State, regardless of whether the property is permanently affixed to real property or other tangible personal ~~property~~ property unless the person is one or more of the following:
 - 1. A person that solely operates as a real property contractor.
 - 2. A person whose only business activity is providing repair, maintenance, and installation services where the person's activities do not otherwise meet the definition of a retail trade.
 - c. A person engaged in business of making a remote sale, if one of the conditions listed in G.S. 105-164.8(b) is met.
 - d. A person, other than a facilitator, required to collect the tax levied under G.S. 105-164.4(a).
- (35a) Retailer-contractor. – A person that acts as a retailer when it sells tangible personal property at retail and as a real property contractor when it performs real property contracts.
- (35b) Retail trade. – A trade in which the majority of revenue is from retailing tangible personal property, digital property, or services to consumers. The term includes activities of a person properly classified in NAICS sector 44-45, buying goods for resale, and rendering services incidental to the sale of merchandise. The term typically includes maintaining an inventory and may include the provision of repair, maintenance, and installation services. Not all activities provided in this subdivision are required for a trade to be considered retail trade.
- ...
- (38b) Service contract. – A contract where the obligor under the contract agrees to maintain or repair tangible personal ~~property~~ property, regardless of whether the property is becomes a part of or affixed to real property, or a motor vehicle. Examples of a service contract include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

....
"SECTION 32.18.(b) G.S. 105-164.4(a) reads as rewritten:

"§ 105-164.4. Tax imposed on retailers.

(a) A privilege tax is imposed on a retailer engaged in business in the State at the percentage rates of the retailer's net taxable sales or gross receipts, listed in this subsection. The general rate of tax is four and three-quarters percent (4.75%). The percentage rates are as follows:

- (15) The general rate applies to the sales price of or the gross receipts derived from repair, maintenance, and installation services."

SECTION 32.18.(c) G.S. 105-164.4I(c) reads as rewritten:

"(c) Exceptions. — ~~The tax does not apply to the sales price of or the gross receipts derived from a service contract for tangible personal property sold at retail that is or will become a part of real property unless the service contract is sold by the obligor or by a third party or facilitator on behalf of the obligor at the same time as the item of tangible personal property covered in the service contract.~~ The tax imposed by this section does not apply to a

security or similar monitoring contract for real property or to a renewal of a service contract where the tangible personal property becomes a part of or affixed to real property prior to the effective date of the renewal property."

SECTION 32.18.(d) G.S. 105-164.13(49) is repealed.

SECTION 32.18.(e) G.S. 105-164.13, as amended by S.L. 2015-6, reads as rewritten:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

- ...
- (61) A service contract for tangible personal property may be exempt as provided in G.S. 105-164.4I.
- (61a) Repair, maintenance, and installation services provided for an item for which a service contract on the item is exempt from tax under G.S. 105-164.4I.
- (61b) Repair, maintenance, and installation services purchased for resale.
- (62) An ~~item~~ item or repair, maintenance, and installation services used to maintain or repair tangible personal property or a motor vehicle pursuant to a service contract taxable under this Article if the purchaser of the contract is not charged for the item. For purposes of this exemption, the term "item" does not include a tool, equipment, supply, or similar tangible personal property used to complete the maintenance or repair and that is not deemed to be a component or repair part of the tangible personal property or motor vehicle for which a service contract is sold to a purchaser.

...."

SECTION 32.18.(f) G.S. 105-237.1(a)(6) reads as rewritten:

"§ 105-237.1. Compromise of liability.

(a) Authority. – The Secretary may compromise a taxpayer's liability for a tax that is collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the best interest of the State and makes one or more of the following findings:

- ...
- (6) The taxpayer is a retailer or a person under Article 5 of this Chapter; the assessment is for sales or use tax the retailer failed to collect or the person failed to pay on an item taxable under G.S. 105-164.4(a)(10) ~~and (a)(11)~~, through (a)(15), and the retailer or person made a good-faith effort to comply with the sales and use tax laws. This subdivision expires for assessments issued after July 1, 2020."

SECTION 32.18.(g) The Secretary of Revenue is directed to repeal the following administrative rules: 17 NCAC 07B .1002, 17 NCAC 07B .1003, and 17 NCAC 07B .1901. A repair part historically purchased and taxed in accordance with these administrative rules should be purchased for the purpose of resale.

SECTION 32.18.(h) This section becomes effective March 1, 2016, and applies to sales occurring on or after that date and to gross receipts derived from repair, maintenance, and installation services provided on or after that date.

ADDITIONAL LOCAL SALES TAX REVENUE FOR ECONOMIC DEVELOPMENT, PUBLIC EDUCATION, AND COMMUNITY COLLEGES

SECTION 32.19.(a) The heading to Article 44 of Chapter 105 of the General Statutes reads as rewritten:

"Article 44.

Local Government Hold Harmless and Allocation Provisions."

SECTION 32.19.(b) Article 44 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-524. Distribution of additional sales tax revenue for economic development, public education, and community colleges.

(a) Purpose. – The purpose of this section is to address sales tax leakage that results from the different revenue-raising capacity of local option sales taxes in each taxing jurisdiction. The amount to be distributed is determined under subsection (b) of this section. The amount each county may receive is determined by the county's allocation percentage under

subsection (c) of this section. The General Assembly must periodically review the allocation percentages.

(b) Distribution Amount. – The Secretary must calculate a distribution amount in conformity with this section. The Secretary must deduct this amount proportionately, in equal installments, from the collections to be allocated each month for distribution under G.S. 105-466, 105-483, and 105-498. For the fiscal year beginning July 1, 2016, the distribution amount is eighty-four million eight hundred thousand dollars (\$84,800,000). For fiscal years beginning on or after July 1, 2017, the distribution amount is the amount for the preceding year, adjusted by the same percentage of this amount as the percentage change of the total collection of local sales and use taxes levied under Articles 39, 40, and 42 of this Chapter for the preceding fiscal year.

(c) County Allocation. – The Secretary must, on a monthly basis, allocate to each taxing county an amount equal to one-twelfth of the distribution amount calculated under subsection (b) of this section multiplied by the following appropriate allocation percentage:

<u>County</u>	<u>Allocation Percentage</u>
<u>Alamance</u>	<u>0.00%</u>
<u>Alexander</u>	<u>1.69%</u>
<u>Alleghany</u>	<u>0.31%</u>
<u>Anson</u>	<u>0.96%</u>
<u>Ashe</u>	<u>0.62%</u>
<u>Avery</u>	<u>0.00%</u>
<u>Beaufort</u>	<u>0.17%</u>
<u>Bertie</u>	<u>0.94%</u>
<u>Bladen</u>	<u>1.03%</u>
<u>Brunswick</u>	<u>0.00%</u>
<u>Buncombe</u>	<u>0.00%</u>
<u>Burke</u>	<u>2.19%</u>
<u>Cabarrus</u>	<u>0.00%</u>
<u>Caldwell</u>	<u>1.72%</u>
<u>Camden</u>	<u>0.48%</u>
<u>Carteret</u>	<u>0.00%</u>
<u>Caswell</u>	<u>1.35%</u>
<u>Catawba</u>	<u>0.00%</u>
<u>Chatham</u>	<u>1.58%</u>
<u>Cherokee</u>	<u>0.24%</u>
<u>Chowan</u>	<u>0.26%</u>
<u>Clay</u>	<u>0.32%</u>
<u>Cleveland</u>	<u>1.43%</u>
<u>Columbus</u>	<u>2.63%</u>
<u>Craven</u>	<u>1.01%</u>
<u>Cumberland</u>	<u>0.06%</u>
<u>Currituck</u>	<u>0.00%</u>
<u>Dare</u>	<u>0.00%</u>
<u>Davidson</u>	<u>4.96%</u>
<u>Davie</u>	<u>1.14%</u>
<u>Duplin</u>	<u>1.97%</u>
<u>Durham</u>	<u>0.00%</u>
<u>Edgecombe</u>	<u>1.86%</u>
<u>Forsyth</u>	<u>0.00%</u>
<u>Franklin</u>	<u>2.44%</u>
<u>Gaston</u>	<u>1.96%</u>
<u>Gates</u>	<u>0.68%</u>
<u>Graham</u>	<u>0.31%</u>
<u>Granville</u>	<u>1.87%</u>
<u>Greene</u>	<u>1.20%</u>
<u>Guilford</u>	<u>0.00%</u>
<u>Halifax</u>	<u>0.76%</u>
<u>Harnett</u>	<u>5.17%</u>
<u>Haywood</u>	<u>0.05%</u>

<u>Henderson</u>	0.68%
<u>Hertford</u>	0.47%
<u>Hoke</u>	2.58%
<u>Hyde</u>	0.03%
<u>Iredell</u>	0.00%
<u>Jackson</u>	0.00%
<u>Johnston</u>	3.26%
<u>Jones</u>	0.63%
<u>Lee</u>	0.37%
<u>Lenoir</u>	1.56%
<u>Lincoln</u>	1.74%
<u>Macon</u>	0.00%
<u>Madison</u>	1.03%
<u>Martin</u>	0.31%
<u>McDowell</u>	0.68%
<u>Mecklenburg</u>	0.00%
<u>Mitchell</u>	0.29%
<u>Montgomery</u>	1.05%
<u>Moore</u>	0.00%
<u>Nash</u>	1.16%
<u>New Hanover</u>	0.00%
<u>Northampton</u>	0.94%
<u>Onslow</u>	1.10%
<u>Orange</u>	0.33%
<u>Pamlico</u>	0.40%
<u>Pasquotank</u>	0.02%
<u>Pender</u>	1.69%
<u>Perquimans</u>	0.50%
<u>Person</u>	0.74%
<u>Pitt</u>	0.16%
<u>Polk</u>	0.74%
<u>Randolph</u>	4.27%
<u>Richmond</u>	0.54%
<u>Robeson</u>	3.00%
<u>Rockingham</u>	2.18%
<u>Rowan</u>	3.90%
<u>Rutherford</u>	1.63%
<u>Sampson</u>	2.10%
<u>Scotland</u>	0.83%
<u>Stanly</u>	1.04%
<u>Stokes</u>	1.99%
<u>Surry</u>	0.00%
<u>Swain</u>	0.32%
<u>Transylvania</u>	0.16%
<u>Tyrrell</u>	0.15%
<u>Union</u>	4.35%
<u>Vance</u>	0.36%
<u>Wake</u>	0.00%
<u>Warren</u>	1.01%
<u>Washington</u>	0.33%
<u>Watauga</u>	0.00%
<u>Wayne</u>	2.27%
<u>Wilkes</u>	1.55%
<u>Wilson</u>	0.39%
<u>Yadkin</u>	1.31%
<u>Yancey</u>	0.52%.

(d) Use of Funds. – The amount allocated to a taxing county under this section must be divided among the county and its municipalities in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter

or Chapter 1096 of the 1967 Session Laws are distributed. The county must use the revenue it receives under this section for economic development, public education, and community college purposes.

(e) State Contribution. – For fiscal years beginning on or after July 1, 2016, the Secretary must annually withhold, in equal monthly installments, seventeen million six hundred thousand dollars (\$17,600,000) from sales and use tax collections under Article 5 of this Chapter. The Secretary must allocate the monthly amount withheld under this subsection to the taxing counties as follows:

- (1) Fifty percent (50%) in the distribution made under Article 39 of this Chapter.
- (2) Twenty-five percent (25%) in the distribution made under Article 40 of this Chapter.
- (3) Twenty-five percent (25%) in the distribution made under Article 42 of this Chapter."

(f) Taxing County. – For purposes of this section, the term "taxing county" means a county that levies the first one-cent (1¢) sales and use tax under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, the first one-half cent (1/2¢) local sales and use tax under Article 40 of this Chapter, and the second one-half cent (1/2¢) local sales and use tax under Article 42 of this Chapter."

SECTION 32.19.(c) This section becomes effective July 1, 2016, and applies to local option sales taxes collected on or after that date and distributed to counties and cities on or after September 1, 2016.

ENACTMENT CONTINGENCIES

SECTION 32.21A. Unless both House Bill 117 and House Bill 943 of the 2015 Regular Session of the General Assembly are ratified prior to January 1, 2016, all sections of this Part are repealed, except for Section 32.18, Section 32.19, and this section.

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 Joint Conference Committee Report on the Base, Expansion and Capital Budgets for House Bill 97, dated September 14, 2015, which was distributed in the House of Representatives and the Senate 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).

The Director of the Budget submitted a recommended base budget to the General Assembly on March 5, 2015, in the document "The Governor's Recommended Budget, the State of North Carolina 2015-2017" and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 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, 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.

ADJUSTMENT OF ALLOCATIONS TO GIVE EFFECT TO THIS ACT FROM JULY 1, 2015

SECTION 33.3A.(a) The appropriations and authorizations to allocate and spend funds set out in S.L. 2015-133, S.L. 2015-184, and S.L. 2015-233 expire when this act becomes law. At such time, this act governs appropriations and expenditures.

When this act becomes law, the Director of the Budget shall adjust allocations to give effect to this act from July 1, 2015.

SECTION 33.3A.(b) Section 2.1 of S.L. 2015-214 is repealed.

MOST TEXT APPLIES TO THE 2015-2017 FISCAL BIENNIUM

SECTION 33.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2015-2017 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2015-2017 fiscal biennium.

EFFECT OF HEADINGS

SECTION 33.5. The headings to the Parts, subparts, 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 or subpart.

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.

In the General Assembly read three times and ratified this the 18th day of September, 2015.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:35 a.m. this 18th day of September, 2015