

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017**

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**SENATE BILL 257
Appropriations/Base Budget Committee Substitute Adopted with unengrossed
amendments 5/10/17
Finance Committee favorable with unengrossed amendments 5/10/17
Pensions and Retirement and Aging Committee Substitute Adopted 5/10/17**

Short Title: Appropriations Act of 2017.

(Public)

Sponsors:

Referred to:

March 15, 2017

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2017."

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 in accordance with the State Budget Act. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by law.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the fiscal biennium ending June 30, 2019, according to the following schedule:

Current Operations – General Fund

FY 2017-2018

FY 2018-2019

EDUCATION

Community Colleges System Office

\$ 1,110,762,099

\$ 1,130,467,649



1			
2	Department of Public Instruction	9,000,478,792	9,340,668,173
3			
4	Appalachian State University	134,672,993	134,672,993
5	East Carolina University		
6	Academic Affairs	214,598,809	214,598,809
7	Health Affairs	74,373,798	75,014,745
8	Elizabeth City State University	31,964,712	31,154,712
9	Fayetteville State University	52,116,162	52,116,162
10	NC A&T State University	91,203,482	91,203,482
11	NC Central University	83,243,559	83,243,559
12	NC State University		
13	Academic Affairs	409,648,050	407,648,050
14	Agricultural Extension	41,895,231	41,895,231
15	Agricultural Research	52,636,905	52,636,905
16	UNC-Asheville	38,750,625	38,750,625
17	UNC-Chapel Hill		
18	Academic Affairs	248,309,119	248,309,119
19	Health Affairs	189,665,032	189,665,032
20	AHEC	56,783,693	62,183,693
21	UNC-Charlotte	226,376,692	226,376,692
22	UNC-Greensboro	150,156,774	150,156,774
23	UNC-Pembroke	53,711,549	53,715,428
24	UNC-School of the Arts	30,424,499	30,424,499
25	UNC-Wilmington	120,327,946	120,327,946
26	Western Carolina University	89,729,461	89,730,641
27	Winston-Salem State University	64,717,512	64,717,512
28	General Administration	42,172,369	42,172,369
29	University Institutional Programs	102,624,192	152,976,706
30	Related Educational Programs	110,268,501	110,768,501
31	NC School of Science & Math	20,958,012	20,959,212
32	Aid to Private Institutions	155,169,754	165,719,754
33			
34	Total University of North Carolina – Board of Governors	2,885,699,431	2,951,139,151

HEALTH AND HUMAN SERVICES

35			
36			
37			
38	Department of Health and Human Services		
39	Central Management and Support	124,254,579	138,439,922
40	Division of Aging & Adult Services	45,106,213	45,139,285
41	Division of Blind Services/Deaf/HH	8,418,832	8,478,672
42	Division of Child Development & Early Education	268,984,429	272,511,265
43	Division of Health Service Regulation	18,438,099	19,052,444
44	Division of Medical Assistance	3,688,012,697	3,802,858,741
45	Division of Mental Health, Developmental Disabilities, & Substance Abuse Services	684,418,672	655,413,652
46	NC Health Choice	459,077	396,238
47	Division of Health Benefits	9,742,662	9,786,700
48	Division of Public Health	151,257,798	149,748,494
49	Division of Social Services	197,255,967	203,399,766
50	Division of Vocational Rehabilitation	38,711,023	38,932,726
51			

1	Total Health and Human Services	5,235,060,048	5,344,157,905
2			
3	NATURAL AND ECONOMIC RESOURCES		
4			
5	Department of Agriculture and Consumer Services	127,483,175	125,111,877
6			
7	Department of Commerce		
8	Commerce	140,647,735	134,736,660
9	Commerce State-Aid	15,275,793	15,175,793
10			
11	Wildlife Resources Commission	10,678,051	10,792,605
12			
13	Department of Environmental Quality	70,669,650	71,154,583
14			
15	Department of Labor	17,531,715	17,736,687
16			
17	Department of Natural and Cultural Resources	175,344,439	173,625,934
18	Department of Natural and Cultural		
19	Resources – Roanoke Island	555,571	555,571
20			
21	JUSTICE AND PUBLIC SAFETY		
22			
23	Department of Public Safety	1,977,021,279	1,996,753,751
24			
25	Judicial Department	516,549,931	523,749,357
26			
27	Judicial Department – Indigent Defense	120,413,821	121,363,932
28			
29	Department of Justice	55,904,112	56,445,076
30			
31			
32	GENERAL GOVERNMENT		
33			
34	Department of Administration	62,265,447	62,596,178
35			
36	Office of Administrative Hearings	5,906,579	6,004,787
37			
38	Department of State Auditor	13,585,122	13,737,445
39			
40	Office of State Controller	23,579,858	23,949,466
41			
42	State Board of Elections	6,600,070	6,662,401
43			
44	General Assembly	65,126,273	65,531,379
45			
46	Office of the Governor	5,887,379	5,945,252
47			
48	Office of the Governor – Special Projects	2,001,625	2,001,625
49			
50	Office of State Budget and Management		
51	Office of State Budget and Management	8,009,843	8,084,541

1	OSBM – Reserve for Special Appropriations	2,000,000	2,000,000
2			
3	Housing Finance Agency	10,660,000	10,660,000
4			
5	Department of Insurance	40,519,795	40,918,283
6			
7	Office of Lieutenant Governor	793,477	771,266
8			
9	Military and Veterans Affairs	10,302,913	8,372,298
10			
11	Department of Revenue	84,633,619	85,471,978
12			
13	Department of Secretary of State	13,070,985	13,281,617
14			
15	Department of State Treasurer		
16	State Treasurer	4,802,959	4,821,416
17	State Treasurer – Retirement for Fire		
18	and Rescue Squad Workers	27,645,361	27,995,361
19			
20	DEPARTMENT OF INFORMATION TECHNOLOGY	51,515,580	51,661,844
21			
22			
23	RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
24			
25	Contingency & Emergency Fund	5,000,000	5,000,000
26	Other Operating Reserves	500,000	500,000
27	Classification and Compensation System	3,900,000	7,800,000
28	Statutory Pay Plan Reserve	20,365,642	21,503,791
29	Workers' Compensation Settlement Reserve	2,000,000	0
30	Salary Adjustment Fund	5,000,000	5,000,000
31	University System Enrollment Reserve	46,571,112	94,734,518
32	Film and Entertainment Grant Fund	15,000,000	15,000,000
33	Supplement Disaster Recovery Act	70,000,000	0
34	Matching Funds for Disaster Recovery	80,000,000	0
35	Enterprise Resource Planning	3,000,000	10,000,000
36	NC Promise Tuition Plan	0	11,000,000
37	Public Schools Average Daily Membership Reserve	0	48,410,289
38			
39	Debt Service		
40	General Debt Service	727,166,339	770,458,736
41	Federal Reimbursement	1,616,380	1,616,380
42			
43	TOTAL CURRENT OPERATIONS –		
44	GENERAL FUND	\$ 22,879,102,000	\$ 23,445,125,555
45			
46	GENERAL FUND AVAILABILITY STATEMENT		
47	SECTION 2.2.(a) The General Fund availability used in developing the 2017-2019		
48	fiscal biennial budget is shown below:		
49			
50		FY 2017-2018	FY 2018-2019
51	Unappropriated Balance	\$ 208,607,416	\$ 307,044,290

1	Disaster Recovery Appropriations (S.L. 2016-124)	(200,928,370)	0
2	Transfer From Savings Reserve	100,928,370	0
3	Revised Unappropriated Balance	108,607,416	0
4	Over Collections FY 2016-17	580,600,000	0
5	Reversions FY 2016-17	271,000,000	0
6	Replenish Savings Reserve (S.L. 2016-124)	(100,928,370)	0
7	Earmarkings of Year End Fund Balance:		
8	Savings Reserve	(263,000,000)	0
9	Repairs and Renovations	(120,000,000)	0
10	Beginning Unreserved Fund Balance	476,279,046	307,044,290
11			
12	Revenues Based on Existing Tax Structure	22,303,700,000	23,299,200,000
13			
14	Non-tax Revenues		
15	Investment Income	60,100,000	60,600,000
16	Judicial Fees	240,900,000	240,500,000
17	Disproportionate Share	164,700,000	149,600,000
18	Insurance	75,500,000	75,500,000
19	Master Settlement Agreement (MSA)	127,200,000	127,200,000
20	Other Non-Tax Revenues	180,600,000	182,900,000
21	Subtotal Non-tax Revenues	849,000,000	836,300,000
22			
23			
24	Total General Fund Availability	23,628,979,046	24,442,544,290
25			
26	Adjustments to Availability: 2017 Session		
27	Tax Law Changes	(323,700,000)	(709,500,000)
28	Diversion of Taxes From Short-Term Lease		
29	or Rental of Motor Vehicles to Highway Fund	(10,000,000)	(10,000,000)
30	Diversion to Savings Reserve (S.L. 2017-5)	0	(91,455,000)
31	Divert Additional MSA funds to Golden Leaf	(10,000,000)	(10,000,000)
32	Transfer from Federal Insurance Contributions Act (FICA)	1,500,000	0
33	Transfer to Medicaid Transformation Fund	(75,000,000)	(75,000,000)
34	Transfer from Department of Insurance	729,111	1,125,434
35	Transfer from the Department of the State Treasurer	(5,463,867)	(5,445,410)
36			
37	Subtotal Adjustments to Availability: 2017 Session	(421,934,756)	(900,274,976)
38			
39	Revised General Fund Availability	\$ 23,207,044,290	\$ 23,542,269,314
40			
41	Less General Fund Net Appropriation	(22,900,000,000)	(23,445,125,555)
42			
43	Unappropriated Balance Remaining	\$ 307,044,290	\$ 97,143,759
44			

45 **SECTION 2.2.(b)** Notwithstanding the provisions of G.S. 143C-4-3(a), the State
46 Controller shall transfer a total of one hundred twenty million dollars (\$120,000,000) from the
47 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2017. This
48 subsection becomes effective June 30, 2017. Funds transferred under this section to the Repairs
49 and Renovations Reserve are appropriated for the 2017-2018 fiscal year and shall be used in
50 accordance with Section 36.5 of this act.

1 **SECTION 2.2.(c)** Notwithstanding G.S. 143C-4-2, the State Controller shall
 2 transfer a total of three hundred sixty-three million nine hundred twenty-eight thousand three
 3 hundred seventy dollars (\$363,928,370) from the unreserved fund balance to the Savings
 4 Reserve Account on June 30, 2017. This transfer is not an "appropriation made by law," as that
 5 phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection
 6 becomes effective June 30, 2017.

7 **SECTION 2.2.(d)** Notwithstanding any other provision of law to the contrary,
 8 effective June 30, 2017, one million five hundred thousand dollars (\$1,500,000) from the NC
 9 FICA Account (Budget Code 24160/Fund Code 2000) shall be transferred to the State
 10 Controller to be deposited in the appropriate budget code as determined by the State Controller.
 11 These funds shall be used to support the General Fund appropriations as specified in this act for
 12 the 2017-2018 fiscal year.

13 **SECTION 2.2.(e)** The State Controller shall reserve from funds available in the
 14 General Fund the sum of seventy-five million dollars (\$75,000,000) in nonrecurring funds for
 15 the 2017-2018 fiscal year and the sum of seventy-five million dollars (\$75,000,000) in
 16 nonrecurring funds for the 2018-2019 fiscal year. The funds reserved in this subsection shall be
 17 transferred and deposited in the Medicaid Transformation Fund established in Section 12H.29
 18 of S.L. 2015-241. Funds deposited in the Medicaid Transformation Fund do not constitute an
 19 "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North
 20 Carolina Constitution.

21 **SECTION 2.2.(f)** Funds reserved in the Medicaid Contingency Reserve established
 22 in Section 12H.38 of S.L. 2014-100 do not constitute an "appropriation made by law," as that
 23 phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

24 **SECTION 2.2.(g)** G.S. 105-187.9(a) reads as rewritten:

25 "(a) Distribution. – ~~Taxes~~Of the taxes collected under this Article at the rate of eight
 26 percent ~~(8%)~~(8%), the sum of ten million dollars (\$10,000,000) shall be credited annually to
 27 the Highway Fund, and the remainder shall be credited to the General Fund. Taxes collected
 28 under this Article at the rate of three percent (3%) shall be credited to the North Carolina
 29 Highway Trust Fund."

30 **SECTION 2.2.(h)** Subsection (g) of this section is effective when this act becomes
 31 law and applies to taxes collected on or after that date.

32
 33 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

34
 35 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

36 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance
 37 and operation of the Department of Transportation and for other purposes as enumerated are
 38 made for the fiscal biennium ending June 30, 2019, according to the following schedule:

40 Current Operations – Highway Fund	41 FY 2017-2018	42 FY 2018-2019
43 Department of Transportation		
44 Administration	\$ 96,416,366	\$ 94,370,410
45 Division of Highways		
46 Administration	34,782,224	34,782,224
47 Construction	76,100,000	76,100,000
48 Maintenance	1,389,482,939	1,440,670,935
49 Planning and Research	0	0
50 OSHA Program	358,030	358,030

1	State Aid to Municipalities	147,500,000	147,500,000
2			
3	Intermodal Divisions		
4	Ferry	44,983,375	44,983,375
5	Public Transportation	92,527,592	92,527,592
6	Aviation	94,312,773	104,012,773
7	Rail	43,659,362	43,850,362
8	Bicycle and Pedestrian	724,032	724,032
9			
10	Governor's Highway Safety	255,367	255,367
11	Division of Motor Vehicles	127,257,318	124,525,997
12			
13	Other State Agencies, Reserves, Transfers	33,270,363	38,801,934
14			
15	Capital Improvements	9,616,700	8,600,000
16			
17	Total Highway Fund Appropriations	\$ 2,191,246,441	\$ 2,252,063,031

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2017-2019 fiscal biennial budget is shown below:

23	Highway Fund Availability Statement	FY 2017-2018	FY 2018-2019
24	Unreserved Fund Balance	\$ 0	\$ 0
25	Estimated Revenue	2,179,096,441	2,237,763,031
26	Adjustment to Revenue Availability:		
27	Division of Motor Vehicles Hearing Fees	2,150,000	4,300,000
28	Highway Use Tax Lease Proceeds	10,000,000	10,000,000
29			
30	Total Highway Fund Availability	\$ 2,191,246,441	\$ 2,252,063,031
31			
32	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, 2019, according to the following schedule:

42	Current Operations – Highway Trust Fund	FY 2017-2018	FY 2018-2019
43			
44	Program Administration	\$ 35,156,560	\$ 35,156,560
45	Debt Service	52,160,868	50,036,452
46	Turnpike Authority	49,000,000	49,000,000
47	State Ports Authority	45,000,000	45,000,000
48	Transfer to Highway Fund	400,000	400,000
49	FHWA State Match	4,640,000	4,640,000
50	Strategic Prioritization Funding Plan for		
51	Transportation Investments	1,361,257,401	1,402,087,304

1
2 **Total Highway Trust Fund Appropriations** \$ 1,547,614,829 \$ 1,586,320,316

3
4 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

5 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
6 2017-2019 fiscal biennial budget is shown below:

7
8 **Highway Trust Fund Availability** **FY 2017-2018** **FY 2018-2019**
9 Unreserved Fund Balance \$ 0 \$ 0
10 Estimated Revenue 1,547,614,829 1,586,320,316
11 Adjustment to Revenue Availability 0 0
12
13 **Total Highway Trust Fund Availability** **\$ 1,547,614,829** **\$ 1,586,320,316**
14
15 Unappropriated Balance \$ 0 \$ 0

16
17 **PART V. OTHER APPROPRIATIONS**

18
19 **CASH BALANCES AND OTHER APPROPRIATIONS**

20 **SECTION 5.1.(a)** Cash balances, federal funds, departmental receipts, grants, and
21 gifts from the General Fund, revenue funds, enterprise funds, and internal service funds are
22 appropriated for the 2017-2019 fiscal biennium as follows:

- 23 (1) For all budget codes listed in the Governor's Recommended Budget for the
24 2017-2019 fiscal biennium, dated March 2017, and in the Budget Support
25 Document, fund balances and receipts are appropriated up to the amounts
26 specified, as adjusted by the General Assembly, for the 2017-2018 fiscal
27 year and the 2018-2019 fiscal year. Funds may be expended only for the
28 programs, purposes, objects, and line items or as otherwise authorized by the
29 General Assembly. Expansion budget funds listed in those documents are
30 appropriated only as otherwise provided in this act.
31 (2) Notwithstanding the provisions of subdivision (1) of this subsection:
32 a. Any receipts that are required to be used to pay debt service
33 requirements for various outstanding bond issues and certificates of
34 participation are appropriated up to the actual amounts received for
35 the 2017-2018 fiscal year and the 2018-2019 fiscal year and shall be
36 used only to pay debt service requirements.
37 b. Other funds, cash balances, and receipts of funds that meet the
38 definition issued by the Governmental Accounting Standards Board
39 of a trust or agency fund are appropriated for and in the amounts
40 required to meet the legal requirements of the trust agreement for the
41 2017-2018 fiscal year and the 2018-2019 fiscal year.

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

47 **SECTION 5.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is
48 appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax
49 Revenues for each fiscal year an amount equal to the amount of the distributions required by
50 law to be made from that reserve for that fiscal year.
51

OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

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

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

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

EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS/NEEDS-BASED CAPITAL FUND

SECTION 5.3.(a) The appropriations made from the Education Lottery Fund for the 2017-2019 fiscal biennium are as follows:

	FY 2017-2018	FY 2018-2019
Noninstructional Support Personnel	\$372,266,860	\$372,266,860
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Needs-Based School Capital Fund	75,000,000	75,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
School-Based Administrator Compensation	28,004,257	33,668,556
TOTAL APPROPRIATION	\$694,717,960	\$700,382,259

SECTION 5.3.(b) G.S. 18C-162 reads as rewritten:

"§ 18C-162. Allocation of revenues.

(a) The Commission shall allocate revenues to the North Carolina State Lottery Fund in order to increase and maximize the available revenues for education purposes, and to the extent practicable, shall adhere to the following guidelines:

- (1) At least fifty percent (50%) of the total annual revenues, as described in this Chapter, shall be returned to the public in the form of prizes.
- (2) At least thirty-five percent (35%) of the total annual revenues, as described in this Chapter, shall be transferred as provided in G.S. 18C-164.
- (3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery. ~~Advertising expenses shall not exceed one percent (1%) of the total annual revenues.~~

1 (4) No more than seven percent (7%) of the face value of tickets or shares, as
2 described in this Chapter, shall be allocated for compensation paid to lottery
3 game retailers.

4 (a1) Advertising costs shall not exceed two percent (2%) of the total annual revenues, as
5 described in this Chapter.

6"

7 **SECTION 5.3.(c)** G.S. 18C-163(b) reads as rewritten:

8 "(b) Expenses of the lottery shall also include ~~a~~all of the following:

9 (1) A transfer of two million one hundred thousand dollars (\$2,100,000)
10 annually to the Department of Public Safety, Alcohol Law Enforcement
11 Branch, for gambling enforcement activities.

12 (2) Advertising costs."

13 **SECTION 5.3.(d)** G.S. 18C-164 reads as rewritten:

14 "**§ 18C-164. Transfer of net revenues.**

15 ...

16 (b) ~~From the Education Lottery Fund, the~~The Office of State Budget and Management
17 shall transfer ~~any a sum equal to five percent (5%) of the net revenue in excess of the amount~~
18 appropriated from the Education Lottery Fund in a fiscal of the prior-year to the Education
19 Lottery Reserve Fund. A special revenue fund for this purpose shall be established in the State
20 treasury to be known as the Education Lottery Reserve Fund, and that fund shall be capped
21 at maintain a minimum balance of fifty million dollars (\$50,000,000). Monies in the Education
22 Lottery Reserve Fund may be appropriated only as provided in subsection (e) of this section.

23 ...

24 (e) ~~If Notwithstanding the minimum balance requirement contained in subsection (b) of~~
25 this section, if the actual net revenues are less than the appropriation for that given year, then
26 the Governor may shall transfer from the Education Lottery Reserve Fund an amount sufficient
27 to equal the appropriation by the General Assembly. To the extent that the funds described in
28 this subsection are required to be appropriated, they are hereby appropriated for the purpose set
29 forth in this subsection.

30 (f) ~~Actual net revenues in excess of the amounts appropriated in a fiscal year shall~~
31 remain in the Education Lottery Fund."

32 **SECTION 5.3.(e)** There is created the Needs-Based Public School Capital Fund to
33 be administered by the Superintendent of Public Instruction. The Fund shall be used to award
34 grants to counties designated as development tier one or development tier two, as defined by
35 G.S. 143B-437.08, to assist with their critical public school building capital needs. The
36 Superintendent of Public Instruction shall award grants to counties in accordance with the
37 following priorities:

38 (1) Counties designated as development tier one areas.

39 (2) Counties with greater need and less ability to generate sales tax and property
40 tax revenue.

41 (3) Counties with a high debt-to-tax revenue ratio.

42 (4) The extent to which a project will address critical deficiencies in adequately
43 serving the current and future student population.

44 **SECTION 5.3.(f)** Grant funds awarded under this section shall be subject to a
45 matching requirement from the recipient county as follows:

46 (1) For a county designated as a development tier one area, the grant shall not
47 exceed two dollars (\$2.00) in grant funds for every one dollar (\$1.00)
48 provided by the county.

49 (2) For a county designated as a development tier two area, the grant shall not
50 exceed one dollar (\$1.00) for every one dollar (\$1.00) provided by the
51 county.

1 The total amount awarded to a single county in a fiscal year shall not exceed ten
 2 million dollars (\$10,000,000). The total aggregate amount awarded from the Fund in a fiscal
 3 year shall not exceed one hundred million dollars (\$100,000,000). Grant funds shall be used for
 4 new capital projects only. Grant funds shall not be used for real property acquisition or for
 5 operational lease agreements.

6 **SECTION 5.3.(g)** On or before April 1 of each year, a grant recipient shall submit
 7 to the Superintendent of Public Instruction an annual report for the preceding year that
 8 describes the progress of the project for which the grant was received. The grant recipient shall
 9 submit a final report to the State Superintendent of Public Instruction within three months of
 10 the completion of the project.

11 **SECTION 5.3.(h)** On or before May 1 of each year, the Superintendent of Public
 12 Instruction shall submit a report to the chairs of the Senate Appropriations Committee on
 13 Education/Higher Education, the chairs of the House Appropriations Committee on Education,
 14 and the Fiscal Research Division. The report shall contain at least all of the following
 15 information for the fiscal year:

- 16 (1) Number and description of projects awarded.
- 17 (2) Total cost of each project and amount supported by the Fund.
- 18 (3) Projections for local school administrative unit capital needs for the next 30
 19 years, based upon present conditions and estimated demographic changes.
- 20 (4) Any legislative recommendations for improving the Fund program.

21 **CIVIL PENALTY AND FORFEITURE FUND**

22 **SECTION 5.4.(a)** Appropriations are made from the Civil Penalty and Forfeiture
 23 Fund for the fiscal biennium ending June 30, 2019, as follows:

	FY 2017-2018	FY 2018-2019
25 School Technology Fund	\$18,000,000	\$18,000,000
26 State Public School Fund	155,754,970	155,754,970
27 Total Appropriation	\$173,754,970	\$173,754,970

28 **SECTION 5.4.(b)** Excess receipts realized in the Civil Penalty and Forfeiture Fund
 29 in each year of the 2017-2019 fiscal biennium shall remain unspent until appropriated by a
 30 further act of the General Assembly.
 31
 32

33 **INDIAN GAMING EDUCATION REVENUE FUND**

34 **SECTION 5.5.** Notwithstanding G.S. 143C-9-7, the sum of six million dollars
 35 (\$6,000,000) in each year of the 2017-2019 fiscal biennium is transferred from the Indian
 36 Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks, and
 37 Digital Resources Allotment.
 38

39 **DISASTER RELIEF FUNDING**

40 **SECTION 5.6.(a)** Funding. – Of the funds appropriated in this act to the State
 41 Emergency Response and Disaster Relief Fund, the sum of one hundred fifty million dollars
 42 (\$150,000,000) shall be used as follows:

- 43 (1) Eighty million dollars (\$80,000,000) to provide the State match for federal
 44 disaster assistance programs.
- 45 (2) Seventy million dollars (\$70,000,000) to provide further relief to areas
 46 assisted financially under S.L. 2016-124. Funds described in this subdivision
 47 may be expended only upon a further act of the General Assembly.

48 **SECTION 5.6.(b)** Limitation. – The Governor may not use the funds described in
 49 subsection (a) of this section to make budget adjustments under G.S. 143C-6-4 or to make
 50 reallocations under G.S. 166A-19.40(c). Nothing in this subsection shall be construed to

1 prohibit the Governor from exercising the Governor's authority under these statutes with
2 respect to funds other than those described in subsection (a) of this section.

3 **SECTION 5.6.(c)** No Reversion of Funds. – Funds described in subsection (a) of
4 this section shall remain available to implement the provisions of this section until the General
5 Assembly directs the reversion of any unexpended and unencumbered funds.
6 G.S. 143C-6-23(f1)(1) shall not apply to funds described in subsection (a) of this section.
7

8 **PART VI. GENERAL PROVISIONS**

9

10 **CONTINGENCY AND EMERGENCY FUND LIMITATION**

11 **SECTION 6.1.** G.S. 143C-4-4(b) reads as rewritten:

12 "(b) Authorized Uses. – Notwithstanding any other provision of law, funds appropriated
13 to the Contingency and Emergency Fund may be used only for expenditures required: (i) by a
14 court or Industrial Commission order, (ii) to respond to events as authorized under
15 G.S. 166A-19.40(a) of the North Carolina Emergency Management Act, ~~or (iii) for other~~
16 ~~statutorily authorized purposes or other contingencies and emergencies.~~(iii) by the State
17 Treasurer to pay death benefits as authorized under Article 12A of Chapter 143 of the General
18 Statutes, (iv) by the Office of the Governor for crime rewards in accordance with G.S. 15-53
19 and G.S. 15-53.1, (v) by the Industrial Commission for supplemental awards of compensation,
20 or (vi) by the Department of Justice to pay prevailing party legal fees pursuant to court order."
21

22 **ESTABLISHING OR INCREASING FEES**

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

26 **SECTION 6.2.(b)** Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an
27 emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized
28 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter
29 150B of the General Statutes.
30

31 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

32 **SECTION 6.3.** Article 4 of Chapter 143C of the General Statutes is amended by
33 adding a new section to read:

34 **"§ 143C-4-8. Use of funds appropriated to a reserve.**

35 All funds appropriated into a reserve by a Current Operations Appropriations Act or other
36 act of the General Assembly may be expended only for the purpose or purposes for which the
37 reserve was established."
38

39 **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

40 **SECTION 6.4.** Article 6 of Chapter 143C of the General Statutes is amended by
41 adding a new section to read:

42 **"§ 143C-6-21.1. Limitation on use of State funds for nonprofit salaries.**

43 No more than one hundred twenty thousand dollars (\$120,000) in State funds, including
44 any interest earnings accruing from those funds, may be used for the annual salary of any
45 individual employee of a nonprofit organization."
46

47 **MSA FUND/INCREASE APPROPRIATION TO GOLDEN L.E.A.F.**

48 **SECTION 6.5.** G.S. 143C-9-3(a1) reads as rewritten:

49 "(a1) Each year, the sum of ~~twenty~~ million dollars ~~(\$10,000,000)~~(\$20,000,000) from
50 the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic
51 Advancement Foundation), Inc., a nonprofit corporation, and these funds shall not be subject to

1 G.S. 143C-6-23. The remainder of the funds credited to the Settlement Reserve Fund each
 2 fiscal year shall be transferred to the General Fund and included in General Fund availability as
 3 nontax revenue."
 4

5 **CLARIFY BASE BUDGET DEFINITION**

6 **SECTION 6.6.(a)** G.S. 143C-1-1(d) reads as rewritten:

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

8 (1) Appropriation. – An enactment by the General Assembly authorizing the
 9 withdrawal of money from the State treasury. An enactment by the General
 10 Assembly that authorizes, specifies, or otherwise provides that funds may be
 11 used for a particular purpose is not an appropriation.
 12

13 ...
 14 (1c) Base Budget. – That part of the recommended State budget that provides the
 15 baseline for the next biennium. The base budget for each State agency shall
 16 be the authorized budget for that agency with adjustments only for the
 17 following:

- 18 a. Annualization of programs and positions.
- 19 b. Reductions to adjust for items funded with nonrecurring funds during
 20 the prior fiscal biennium.
- 21 c. Increases to adjust for nonrecurring reductions during the prior fiscal
 22 biennium.
- 23 d. Adjustments for federal payroll tax changes.
- 24 e. Rate increases in accordance with the terms of existing leases of real
 25 property.
- 26 f. Adjustments to receipt projections, made in accordance with
 27 G.S. 143C-3-5(b)(2)c.
- 28 g. Reconciliation of intragovernmental and intergovernmental transfers.
- 29 h. Adjustments for statutory appropriations.

30 ...
 31 (28) Statutory appropriation. – An appropriation that authorizes the withdrawal of
 32 funds from the State treasury during fiscal years extending beyond the
 33 current fiscal biennium, without further act of the General Assembly.
 34

35 **SECTION 6.6.(b)** G.S. 115C-562.8(b) reads as rewritten:

36 "(b) The General Assembly finds that, due to the critical need in this State to provide
 37 opportunity for school choice for North Carolina students, it is imperative that the State provide
 38 an increase of funds of at least ten million dollars (\$10,000,000) each fiscal year for 10 years to
 39 the Opportunity Scholarship Grant Fund Reserve. Therefore, there is appropriated from the
 40 General Fund to the Reserve the following amounts for each fiscal year to be used for the
 41 purposes set forth in this section:

Fiscal Year	Appropriation
42 2017-2018	\$44,840,000
43 2018-2019	\$54,840,000
44 2019-2020	\$64,840,000
45 2020-2021	\$74,840,000
46 2021-2022	\$84,840,000
47 2022-2023	\$94,840,000
48 2023-2024	\$104,840,000
49 2024-2025	\$114,840,000
50 2025-2026	\$124,840,000
51 2026-2027	\$134,840,000

1 For the 2027-2028 fiscal year and each fiscal year thereafter, there is appropriated from the
2 General Fund to the Reserve the sum of one hundred forty-four million eight hundred forty
3 thousand dollars (\$144,840,000) to be used for the purposes set forth in this section. In
4 developing for a fiscal year the base budget, as defined in G.S. 143C-1-1, the Director of the
5 Budget shall include the appropriated amount set forth in this subsection for that particular
6 fiscal year."

7 **SECTION 6.6.(c)** Section 11A.3(i) of S.L. 2016-94 reads as rewritten:

8 "SECTION 11A.3.(i) Subsections (a) and (b) of this section apply beginning with the
9 2016-2017 school year. ~~Subsections (g) and~~Subsection (h) of this section ~~become~~becomes
10 effective July 1, 2017."

11 **SECTION 6.6.(d)** Subsection (a) of this section becomes effective July 1, 2017,
12 and applies beginning with the base budget developed for the 2018-2019 fiscal year. The
13 remainder of this section is effective when it becomes law.
14

15 USE OF STATE FUNDS/EMPLOYMENT OF OUTSIDE COUNSEL

16 **SECTION 6.7.(a)** G.S. 147-17 reads as rewritten:

17 "**§ 147-17. May employ counsel in cases wherein State is interested.**

18 (a) No department, officer, agency, institution, commission, bureau or other organized
19 activity of the State which receives support in whole or in part from the State shall employ ~~any~~
20 private counsel, except with the approval of the Governor. The Governor shall give his
21 approval only if the Attorney General has advised him, as provided in subsection (b) of this
22 section, that it is impracticable for the Attorney General to render the legal services. In any case
23 or proceeding, civil or criminal, in or before any court or agency of this State or any other state
24 or the United States, or in any other matter in which the State of North Carolina is interested,
25 the Governor may employ ~~such special~~private counsel as he may deem proper or necessary to
26 represent the interest of the State, and may fix the compensation for their services.

27 (b) The Attorney General shall be counsel for all departments, officers, agencies,
28 institutions, commissions, bureaus or other organized activities of the State which receive
29 support in whole or in part from the State. Whenever the Attorney General shall advise the
30 Governor that it is impracticable for him to render legal services to any State agency, officer,
31 institution, commission, bureau or other organized activity, or to defend a State employee or
32 former employee as authorized by Article 31A of Chapter 143 of the General Statutes, the
33 Governor may authorize the employment of ~~such~~private counsel, as in his judgment, should be
34 employed to render such services, and may fix the compensation for their services.

35 (c) The Governor may direct that the compensation fixed under this section for ~~special~~
36 private counsel shall be paid out of appropriations or other funds credited to the appropriate
37 department, agency, institution, commission, bureau, or other organized activity of the State or
38 out of the Contingency and Emergency Fund.

39 (c1) Notwithstanding subsection (c) of this section and G.S. 143C-4-4(b), no State funds
40 shall be withdrawn from the State treasury to pay for litigation services provided by private
41 counsel except as expressly authorized by an appropriation of the General Assembly. As used
42 in this subsection, litigation services include legal work conducted in anticipation of, or in
43 preparation for, any suit or action. As used in this section, private counsel includes any licensed
44 attorney retained, engaged, or otherwise representing a department, officer, agency, institution,
45 commission, bureau, or other organized activity of the State but does not include a licensed
46 attorney who holds a permanent budgeted position in either the Department of Justice or the
47 applicable department, officer, agency, institution, commission, bureau, or other organized
48 activity of the State.

49 (d) In those instances when a department, officer, agency, institution, commission,
50 bureau, or other organized activity of the State which receives support in whole or in part from
51 the State shall employ private counsel other than the Attorney General as permitted by law,

1 such employed counsel shall allocate authority between counsel and the State client in
2 conformance with Rule 1.2 of the North Carolina Rules of Professional Conduct. In those
3 instances where more than one counsel is providing legal representation, counsel, or service on
4 a legal matter on behalf of a State client, the client shall designate in writing which of its legal
5 counsel possesses final decision-making authority on behalf of the State client, and other
6 co-counsel shall, consistent with the Rules of Professional Conduct, cooperate with such
7 designated lead counsel."

8 **SECTION 6.7.(b)** G.S. 114-2.3 reads as rewritten:

9 "**§ 114-2.3. Use of private counsel limited.**

10 (a) Every agency, institution, department, bureau, board, or commission of the State,
11 authorized by law to retain private counsel, shall obtain written permission from the Attorney
12 General prior to employing private counsel. This section does not apply to counties, cities,
13 towns, other municipal corporations or political subdivisions of the State, or any agencies of
14 these municipal corporations or political subdivisions, or to county or city boards of education.

15 (b) Article 2A of this Chapter applies to any contract to retain private counsel
16 authorized by the Attorney General under this section.

17 (c) Except as provided in G.S. 147-17, the Attorney General shall represent the State in
18 any action requiring the State to be a party under G.S. 1-72.3.

19 (d) No State funds shall be withdrawn from the State treasury to pay for litigation
20 services provided by private counsel except as expressly authorized by an appropriation of the
21 General Assembly. As used in this subsection, litigation services include legal work conducted
22 in anticipation of, or in preparation for, any suit or action. As used in this section, private
23 counsel includes any licensed attorney retained, engaged, or otherwise representing a
24 department, officer, agency, institution, commission, bureau, or other organized activity of the
25 State but does not include a licensed attorney who holds a permanent budgeted position in
26 either the Department of Justice or the applicable department, officer, agency, institution,
27 commission, bureau, or other organized activity of the State."

28 **SECTION 6.7.(c)** G.S. 136-18.03(b) reads as rewritten:

29 "(b) Authorization. – The Department of Transportation may engage the services of
30 private counsel with the pertinent expertise to provide legal services related to any project
31 undertaken by the Department. The Department shall supervise and manage the private counsel
32 engaged under this section and, excluding legal services related to workers' compensation
33 claims brought by Department employees, shall not be required to obtain written permission or
34 approval from the Attorney General under G.S. 114-2.3. G.S. 147-17(c1) and G.S. 114-2.3(d)
35 do not apply to this section."

36 **SECTION 6.7.(d)** G.S. 20-194(b) reads as rewritten:

37 "(b) In the event that a member of the Highway Patrol or any other State
38 law-enforcement officer is sued in a civil action as an individual for acts occurring while such
39 member was alleged to be acting within the course and scope of his office, employment,
40 service, agency or authority, which was alleged to be a proximate cause of the injury or damage
41 complained of, the Attorney General is hereby authorized to defend such employee through the
42 use of a member of his staff or, in his discretion, employ private counsel, subject to the
43 provisions of Article 31A of Chapter 143 and ~~G.S. 147-17.~~ G.S. 147-17(a) through (c) and (d).
44 Any judgment rendered as a result of said civil action against such member of the Highway
45 Patrol or other State law-enforcement officer, for acts alleged to be committed within the
46 course and scope of his office, employment, service, agency or authority shall be paid as an
47 expense of administration up to the limit provided in the Tort Claims Act."

48 **SECTION 6.7.(e)** G.S. 143B-30.1(g) reads as rewritten:

49 "(g) In the discretion of the Commission, G.S. 114-2.3 and G.S. 147-17(a) through (e)
50 (c1) shall not apply to the Commission if the Commission is being sued by another agency,
51 institution, department, bureau, board, or commission of the State, whether such body is created

1 by the Constitution or by statute. The chairman, upon approval of a majority of the
2 Commission, may retain private counsel to represent the Commission to be paid with available
3 State funds to defend such litigation either independently or in cooperation with the
4 Department of Justice. If private counsel is to be so retained to represent the Commission, the
5 chairman shall designate lead counsel who shall possess final decision-making authority with
6 respect to the representation, counsel, or service for the Commission. Other counsel for the
7 Commission shall, consistent with the Rules of Professional Conduct, cooperate with such
8 designated lead counsel."

9 **SECTION 6.7.(f)** G.S. 143C-6-9 reads as rewritten:

10 "**§ 143C-6-9. Use of lapsed salary savings.**

11 (a) Lapsed salary savings may be expended only for nonrecurring purposes or line
12 items.

13 (b) Lapsed salary savings shall not be used to pay for litigation services provided by
14 private counsel. As used in this subsection, litigation services and private counsel are as defined
15 in G.S. 147-17(c1) and G.S. 114-2.3(d)."

16 17 **PENDING LITIGATION**

18 **SECTION 6.8.** Any reference to either the State Board of Elections or the State
19 Ethics Commission in either this act or the Committee Report described in Section 39.2 of this
20 act does not constitute a waiver by the General Assembly regarding the validity and
21 constitutionality of S.L. 2017-6.

22 23 **PART VII. PUBLIC SCHOOLS**

24 25 **FUNDS FOR CHILDREN WITH DISABILITIES**

26 **SECTION 7.1.(a)** The State Board of Education shall allocate additional funds for
27 children with disabilities on the basis of four thousand one hundred twenty-five dollars and
28 twenty-seven cents (\$4,125.27) per child for fiscal years 2017-2018 and 2018-2019. Each local
29 school administrative unit shall receive funds for the lesser of (i) all children who are identified
30 as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2017-2018
31 allocated average daily membership in the local school administrative unit. The dollar amounts
32 allocated under this section for children with disabilities shall also be adjusted in accordance
33 with legislative salary increments, retirement rate adjustments, and health benefit adjustments
34 for personnel who serve children with disabilities.

35 **SECTION 7.1.(b)** G.S. 115C-105.25(b) reads as rewritten:

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

38 (1) Repealed by Session Laws 2013-360, s. 8.14, effective July 1, 2013.

39 (1a) Funds for ~~children with disabilities, career~~ career and technical
40 education, education and other purposes may be transferred only as permitted
41 by federal law and the conditions of federal grants or as provided through
42 any rules that the State Board of Education adopts to ensure compliance with
43 federal regulations.

44 (1b) No funds shall be transferred out of the children with disabilities allotment
45 category.

46"

47 48 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

49 **SECTION 7.2.(a)** The State Board of Education shall allocate additional funds for
50 academically or intellectually gifted children on the basis of one thousand three hundred
51 fourteen dollars and fifty-six cents (\$1,314.56) per child for fiscal years 2017-2018 and

1 2018-2019. A local school administrative unit shall receive funds for a maximum of four
2 percent (4%) of its 2017-2018 allocated average daily membership, regardless of the number of
3 children identified as academically or intellectually gifted in the unit. The dollar amounts
4 allocated under this section for academically or intellectually gifted children shall also be
5 adjusted in accordance with legislative salary increments, retirement rate adjustments, and
6 health benefit adjustments for personnel who serve academically or intellectually gifted
7 children.

8 **SECTION 7.2.(b)** G.S. 115C-105.25(b) is amended by adding a new subdivision
9 to read:

10 "(3b) No funds shall be transferred out of the academically or intellectually gifted
11 children allotment category."
12

13 SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

14 **SECTION 7.3.(a)** Use of Funds for Supplemental Funding. – All funds received
15 pursuant to this section shall be used only (i) to provide instructional positions, instructional
16 support positions, teacher assistant positions, clerical positions, school computer technicians,
17 instructional supplies and equipment, staff development, and textbooks and digital resources
18 and (ii) for salary supplements for instructional personnel and instructional support personnel.
19 Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds
20 received pursuant to this section to improve the academic performance of children who are
21 performing at Level I or II on either reading or mathematics end-of-grade tests in grades three
22 through eight.

23 **SECTION 7.3.(b)** Definitions. – As used in this section, the following definitions
24 apply:

- 25 (1) Anticipated county property tax revenue availability. – The county-adjusted
26 property tax base multiplied by the effective State average tax rate.
- 27 (2) Anticipated total county revenue availability. – The sum of the following:
 - 28 a. Anticipated county property tax revenue availability.
 - 29 b. Local sales and use taxes received by the county that are levied under
30 Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of
31 Chapter 105 of the General Statutes.
 - 32 c. Fines and forfeitures deposited in the county school fund for the most
33 recent year for which data are available.
- 34 (3) Anticipated total county revenue availability per student. – The anticipated
35 total county revenue availability for the county divided by the average daily
36 membership of the county.
- 37 (4) Anticipated State average revenue availability per student. – The sum of all
38 anticipated total county revenue availability divided by the average daily
39 membership for the State.
- 40 (5) Average daily membership. – Average daily membership as defined in the
41 North Carolina Public Schools Allotment Policy Manual adopted by the
42 State Board of Education. If a county contains only part of a local school
43 administrative unit, the average daily membership of that county includes all
44 students who reside within the county and attend that local school
45 administrative unit.
- 46 (6) County-adjusted property tax base. – Computed as follows:
 - 47 a. Subtract the present-use value of agricultural land, horticultural land,
48 and forestland in the county, as defined in G.S. 105-277.2, from the
49 total assessed real property valuation of the county.
 - 50 b. Adjust the resulting amount by multiplying by a weighted average of
51 the three most recent annual sales assessment ratio studies.

- 1 c. Add to the resulting amount the following:
 - 2 1. Present-use value of agricultural land, horticultural land, and
 - 3 forestland, as defined in G.S. 105-277.2.
 - 4 2. Value of property of public service companies, determined in
 - 5 accordance with Article 23 of Chapter 105 of the General
 - 6 Statutes.
 - 7 3. Personal property value for the county.
- 8 (7) County-adjusted property tax base per square mile. – The county-adjusted
- 9 property tax base divided by the number of square miles of land area in the
- 10 county.
- 11 (8) County wealth as a percentage of State average wealth. – Computed as
- 12 follows:
 - 13 a. Compute the percentage that the county per capita income is of the
 - 14 State per capita income and weight the resulting percentage by a
 - 15 factor of five-tenths.
 - 16 b. Compute the percentage that the anticipated total county revenue
 - 17 availability per student is of the anticipated State average revenue
 - 18 availability per student and weight the resulting percentage by a
 - 19 factor of four-tenths.
 - 20 c. Compute the percentage that the county-adjusted property tax base
 - 21 per square mile is of the State-adjusted property tax base per square
 - 22 mile and weight the resulting percentage by a factor of one-tenth.
 - 23 d. Add the three weighted percentages to derive the county wealth as a
 - 24 percentage of the State average wealth.
- 25 (9) Effective county tax rate. – The actual county tax rate multiplied by a
- 26 weighted average of the three most recent annual sales assessment ratio
- 27 studies.
- 28 (10) Effective State average tax rate. – The average of effective county tax rates
- 29 for all counties.
- 30 (11) Local current expense funds. – The most recent county current expense
- 31 appropriations to public schools, as reported by local boards of education in
- 32 the audit report filed with the Secretary of the Local Government
- 33 Commission pursuant to G.S. 115C-447.
- 34 (12) Per capita income. – The average for the most recent three years for which
- 35 data are available of the per capita income according to the most recent
- 36 report of the United States Department of Commerce, Bureau of Economic
- 37 Analysis, including any reported modifications for prior years as outlined in
- 38 the most recent report.
- 39 (13) Sales assessment ratio studies. – Sales assessment ratio studies performed by
- 40 the Department of Revenue under G.S. 105-289(h).
- 41 (14) State average adjusted property tax base per square mile. – The sum of the
- 42 county-adjusted property tax bases for all counties divided by the number of
- 43 square miles of land area in the State.
- 44 (15) State average current expense appropriations per student. – The most recent
- 45 State total of county current expense appropriations to public schools, as
- 46 reported by local boards of education in the audit report filed with the
- 47 Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- 48 (16) Supplant. – To decrease local per student current expense appropriations
- 49 from one fiscal year to the next fiscal year.
- 50 (17) Weighted average of the three most recent annual sales assessment ratio
- 51 studies. – The weighted average of the three most recent annual sales

1 assessment ratio studies in the most recent years for which county current
2 expense appropriations and adjusted property tax valuations are available. If
3 real property in a county has been revalued one year prior to the most recent
4 sales assessment ratio study, a weighted average of the two most recent sales
5 assessment ratios shall be used. If property has been revalued the year of the
6 most recent sales assessment ratio study, the sales assessment ratio for the
7 year of revaluation shall be used.

8 **SECTION 7.3.(c) Eligibility for Funds.** – Except as provided in subsection (g) of
9 this section, the State Board of Education shall allocate these funds to local school
10 administrative units located in whole or in part in counties in which the county wealth as a
11 percentage of the State average wealth is less than one hundred percent (100%).

12 **SECTION 7.3.(d) Allocation of Funds.** – Except as provided in subsection (f) of
13 this section, the amount received per average daily membership for a county shall be the
14 difference between the State average current expense appropriations per student and the current
15 expense appropriations per student that the county could provide given the county's wealth and
16 an average effort to fund public schools. To derive the current expense appropriations per
17 student that the county could be able to provide given the county's wealth and an average effort
18 to fund public schools, multiply the county's wealth as a percentage of State average wealth by
19 the State average current expense appropriations per student. The funds for the local school
20 administrative units located in whole or in part in the county shall be allocated to each local
21 school administrative unit located in whole or in part in the county based on the average daily
22 membership of the county's students in the school units. If the funds appropriated for
23 supplemental funding are not adequate to fund the formula fully, each local school
24 administrative unit shall receive a pro rata share of the funds appropriated for supplemental
25 funding.

26 **SECTION 7.3.(e) Formula for Distribution of Supplemental Funding Pursuant to**
27 **This Section Only.** – The formula in this section is solely a basis for distribution of
28 supplemental funding for low-wealth counties and is not intended to reflect any measure of the
29 adequacy of the educational program or funding for public schools. The formula is also not
30 intended to reflect any commitment by the General Assembly to appropriate any additional
31 supplemental funds for low-wealth counties.

32 **SECTION 7.3.(f) Minimum Effort Required.** – A county shall receive full funding
33 under this section if the county (i) maintains an effective county tax rate that is at least one
34 hundred percent (100%) of the effective State average tax rate in the most recent year for which
35 data are available or (ii) maintains a county appropriation per student to the school local current
36 expense fund of at least one hundred percent (100%) of the current expense appropriations per
37 student to the school local current expense fund that the county could provide given the
38 county's wealth and an average effort to fund public schools. A county that maintains a county
39 appropriation per student to the school local current expense fund of less than one hundred
40 percent (100%) of the current expense appropriations per student to the school local current
41 expense fund that the county could provide given the county's wealth and an average effort to
42 fund public schools shall receive funding under this section at the same percentage that the
43 county's appropriation per student to the school local current expense fund is of the current
44 expense appropriations per student to the school local current expense fund that the county
45 could provide given the county's wealth and an average effort to fund public schools.

46 **SECTION 7.3.(g) Nonsupplant Requirement.** – A county in which a local school
47 administrative unit receives funds under this section shall use the funds to supplement local
48 current expense funds and shall not supplant local current expense funds. For the 2017-2019
49 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
50 county found to have used these funds to supplant local per student current expense funds. The
51 State Board of Education shall make a finding that a county has used these funds to supplant

1 local current expense funds in the prior year, or the year for which the most recent data are
 2 available, if all of the following criteria apply:

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

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

11 **SECTION 7.3.(h)** Counties Containing a Base of the Armed Forces. –
 12 Notwithstanding any other provision of this section, for the 2017-2019 fiscal biennium,
 13 counties containing a base of the Armed Forces of the United States that have an average daily
 14 membership of more than 23,000 students shall receive the same amount of supplemental
 15 funding for low-wealth counties as received in the 2012-2013 fiscal year.

16 **SECTION 7.3.(i)** Funds for EVAAS Data. – Notwithstanding the requirements of
 17 subsection (a) of this section, local school administrative units may utilize funds allocated
 18 under this section to purchase services that allow for extraction of data from the Education
 19 Value-Added Assessment System (EVAAS).

20 **SECTION 7.3.(j)** Reports. – For the 2017-2019 fiscal biennium, the State Board of
 21 Education shall report to the Fiscal Research Division prior to May 15 of each year if it
 22 determines that counties have supplanted funds.

23 **SECTION 7.3.(k)** Department of Revenue Reports. – The Department of Revenue
 24 shall provide to the Department of Public Instruction a preliminary report for the current fiscal
 25 year of the assessed value of the property tax base for each county prior to March 1 of each
 26 year and a final report prior to May 1 of each year. The reports shall include for each county the
 27 annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of
 28 total real property represented by the present-use value of agricultural land, horticultural land,
 29 and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies
 30 determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv)
 31 personal property.

32
 33 **SMALL COUNTY SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

34 **SECTION 7.4.(a)** Allotment Schedule for the 2017-2019 Fiscal Biennium. –
 35 Except as otherwise provided in subsection (d) of this section, each eligible county school
 36 administrative unit shall receive a dollar allotment according to the following schedule:

<u>Allotted ADM</u>	<u>Small County Allotment</u>
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

46 **SECTION 7.4.(b)** Phase-Out Provision for the 2017-2018 Fiscal Year. – If a local
 47 school administrative unit becomes ineligible for funding under the schedule in subsection (a)
 48 of this section in the 2017-2018 fiscal year, funding for that unit shall be phased out over a
 49 five-year period. Funding for such local school administrative units shall be reduced in equal
 50 increments in each of the five years after the unit becomes ineligible. Funding shall be
 51 eliminated in the fifth fiscal year after the local school administrative unit becomes ineligible.

1 Allotments for eligible local school administrative units under this subsection shall
2 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
3 2016-2017 in any fiscal year. A local school administrative unit shall not become ineligible for
4 funding if either the highest of the first two months total projected average daily membership
5 for the current year or the higher of the first two months total prior year average daily
6 membership would otherwise have made the unit eligible for funds under the schedule in
7 subsection (a) of this section.

8 **SECTION 7.4.(c) Phase-Out Provision for the 2018-2019 Fiscal Year.** – If a local
9 school administrative unit becomes ineligible for funding under the schedule in subsection (a)
10 of this section in the 2018-2019 fiscal year, funding for that unit shall be phased out over a
11 five-year period. Funding for such local school administrative units shall be reduced in equal
12 increments in each of the five years after the unit becomes ineligible. Funding shall be
13 eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

14 Allotments for eligible local school administrative units under this subsection shall
15 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
16 2017-2018 in any fiscal year. A local school administrative unit shall not become ineligible for
17 funding if either the highest of the first two months total projected average daily membership
18 for the current year or the higher of the first two months total prior year average daily
19 membership would otherwise have made the unit eligible for funds under the schedule in
20 subsection (a) of this section.

21 **SECTION 7.4.(d) Nonsupplant Requirement for the 2017-2019 Fiscal Biennium.** –
22 A county in which a local school administrative unit receives funds under this section shall use
23 the funds to supplement local current expense funds and shall not supplant local current
24 expense funds. For the 2017-2019 fiscal biennium, the State Board of Education shall not
25 allocate funds under this section to a county found to have used these funds to supplant local
26 per student current expense funds. The State Board of Education shall make a finding that a
27 county has used these funds to supplant local current expense funds in the prior year or the year
28 for which the most recent data are available, if all of the following criteria apply:

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

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

37 **SECTION 7.4.(e) Reports.** – For the 2017-2019 fiscal biennium, the State Board of
38 Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it
39 determines that counties have supplanted funds.

40 **SECTION 7.4.(f) Use of Funds.** – Local boards of education are encouraged to use
41 at least twenty percent (20%) of the funds they receive pursuant to this section to improve the
42 academic performance of children who are performing at Level I or II on either reading or
43 mathematics end-of-grade tests in grades three through eight.

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

47 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

48 **SECTION 7.5.(a)** Funds appropriated in this act for disadvantaged student
49 supplemental funding shall be used, consistent with the policies and procedures adopted by the
50 State Board of Education, only to do the following:
51

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

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

14 **SECTION 7.5.(b)** Disadvantaged student supplemental funding (DSSF) shall be
15 allotted to a local school administrative unit based on (i) the unit's eligible DSSF population
16 and (ii) the difference between a teacher-to-student ratio of 1:21 and the following
17 teacher-to-student ratios:

- 18 (1) For counties with wealth greater than ninety percent (90%) of the statewide
19 average, a ratio of 1:19.9.
- 20 (2) For counties with wealth not less than eighty percent (80%) and not greater
21 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- 22 (3) For counties with wealth less than eighty percent (80%) of the statewide
23 average, a ratio of 1:19.1.
- 24 (4) For local school administrative units receiving DSSF funds in fiscal year
25 2005-2006, a ratio of 1:16. These local school administrative units shall
26 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

29 **SECTION 7.5.(c)** If a local school administrative unit's wealth increases to a level
30 that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment
31 ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one
32 additional fiscal year.

33 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

34 **SECTION 7.6.** Funds appropriated in this act for the Uniform Education Reporting
35 System (UERS) for the 2017-2019 fiscal biennium shall not revert at the end of each fiscal year
36 but shall remain available until expended.
37

38 **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

39 **SECTION 7.7.(a)** Notwithstanding G.S. 143C-6-4, the Department of Public
40 Instruction may, after consultation with the Office of State Budget and Management and the
41 Fiscal Research Division, reorganize the Department, if necessary, to implement the budget
42 reductions for the 2017-2019 fiscal biennium. Consultation shall occur prior to requesting
43 budgetary and personnel changes through the budget revision process. The Department of
44 Public Instruction shall provide a current organization chart and the proposed organization
45 chart clearly identifying the changes for the Department in the consultation process and shall
46 report to the Joint Legislative Commission on Governmental Operations on any reorganization,
47 including any movement of positions and funds between fund codes on a recurring basis.

48 **SECTION 7.7.(b)** In implementing budget reductions for the 2017-2019 fiscal
49 biennium, the Department of Public Instruction shall make no reduction to funding for the State
50 Public School Fund, including for the following residential schools: Eastern North Carolina
51

1 School for the Deaf, the North Carolina School for the Deaf, and the Governor Morehead
 2 School, except that the Department may, in its discretion, reduce positions at these institutions
 3 that have been vacant for more than 16 months. The Department shall also make no transfers
 4 from or reduction to funding or positions for any of the following:

- 5 (1) Communities in Schools of North Carolina, Inc.
- 6 (2) Teach For America, Inc.
- 7 (3) Beginnings for Parents of Children Who are Deaf or Hard of Hearing, Inc.
- 8 (4) The Excellent Public Schools Act, Read to Achieve Program, initially
 9 established under Section 7A.1 of S.L. 2012-142.
- 10 (5) The North Carolina School Connectivity Program.
- 11 (6) The Achievement School District.
- 12 (7) Positions appointed by and with a direct report to the State Superintendent of
 13 Public Instruction, including those positions described in Section 7.10 of this
 14 act.

16 **DPI/ALIGNMENT OF FEDERAL FUNDS**

17 **SECTION 7.8.** The Department of Public Instruction, in consultation with the
 18 Office of State Budget and Management, shall align federal funds to accurately reflect the
 19 amount projected to be spent by the Department in each year of the 2017-2019 fiscal biennium
 20 in accordance with the State Budget Act, Chapter 143C of the General Statutes, as part of the
 21 certification of the budget for the 2017-2019 fiscal biennium.

23 **ADMINISTRATION OF THE EXCELLENT PUBLIC SCHOOLS ACT**

24 **SECTION 7.9.(a)** From the funds appropriated to implement Section 7A.1 of S.L.
 25 2012-142, as amended, for the 2017-2019 fiscal biennium only, the Department of Public
 26 Instruction shall use those funds for the following 13 time-limited positions that support the
 27 kindergarten through third grade formative reading assessments pursuant to G.S. 115C-83.6:

28 <u>Position</u>	<u>Title</u>
29 65017164	Project Administrator
30 65017165	Project Lead
31 65017166	Project Lead
32 65017167	Program Assistant V
33 65017169	Northeast Consultant
34 65017170	Southeast Consultant
35 65017171	North Central Consultant
36 65017172	Sandhills Consultant
37 65017173	Piedmont Triad Consultant
38 65017174	Southwest Consultant
39 65017250	Northwest Consultant
40 65017251	Western Consultant
41 65021990	Project Coordinator

42 **SECTION 7.9.(b)** The positions listed in subsection (a) of this section shall be in
 43 addition to the 11 permanent, full-time positions authorized by Section 7A.12 of S.L. 2012-142.

44 **SECTION 7.9.(c)** This section expires June 30, 2019.

46 **SUPERINTENDENT OF PUBLIC INSTRUCTION SUPPORT STAFF**

47 **SECTION 7.10.** Of the funds appropriated by this act to the Department of Public
 48 Instruction for the 2017-2019 fiscal biennium, the Superintendent of Public Instruction may use
 49 up to four hundred thirty-two thousand six hundred forty-four dollars (\$432,644) to appoint, in
 50 addition to any other personnel appointed by the Superintendent, up to five full-time equivalent
 51 exempt policy-making positions, as defined in G.S. 126-5(b)(3), to staff the office of the

1 Superintendent and assist in the administration of the Superintendent's duties under Article III
2 and Section 4(2) of Article IX of the North Carolina Constitution as an elected officer and
3 member of the Council of State and as secretary and chief administrative officer of the State
4 Board of Education. Personnel appointed to these positions shall be exempt from the North
5 Carolina Human Resources Act and shall report solely to the Superintendent of Public
6 Instruction. The Superintendent of Public Instruction shall fix the salaries of the personnel for
7 the office of the Superintendent within the funds available as provided by this section. The
8 personnel for the office of the Superintendent of Public Instruction within the Department of
9 Public Instruction shall be in addition to any staff appointed to the Department in accordance
10 with G.S. 115C-21(a)(1). The appointments shall not be subject to approval or disapproval by
11 the State Board of Education.

12 13 **CARRYFORWARD OF CERTAIN DPI FUNDS**

14 **SECTION 7.11.(a)** Section 8.7(g) of S.L. 2016-94 reads as rewritten:

15 "SECTION 8.7.(g) Of the funds appropriated to the Department of Public Instruction by
16 this act for the 2016-2017 fiscal year to support teacher compensation models and advanced
17 teaching roles, the Department may use up to two hundred thousand dollars (\$200,000) for the
18 State Board of Education to contract with an independent research organization for the pilot
19 evaluations. Any remaining funds may be used to award funds to selected local school
20 administrative units for the implementation of the pilots in accordance with this section. Funds
21 appropriated to the Department of Public Instruction for the 2016-2017 fiscal year for the pilot
22 and for the evaluation of the pilot shall not revert at the end of the fiscal year but shall remain
23 available until expended."

24 **SECTION 7.11.(b)** Section 8.27(i) of S.L. 2016-94 reads as rewritten:

25 "SECTION 8.27.(i) Use of Funds. – Of the funds appropriated to the Department of Public
26 Instruction for the 2016-2017 fiscal year to implement the LAMP programs, the Department
27 may use up to two hundred thousand dollars (\$200,000) in nonrecurring funds for the State
28 Board of Education to contract with the independent research organization as required by this
29 section. Any remaining funds shall be used to award one-year grants to each LAMP program
30 selected under subsection (c) of this section for the purposes of implementing the program.
31 Each selected LAMP program shall be awarded a proportional amount of the funds available.
32 Funds appropriated to the Department of Public Instruction for the 2016-2017 fiscal year to
33 implement the LAMP programs and for the evaluation of the LAMP programs shall not revert at
34 the end of the fiscal year but shall remain available until expended."

35 **SECTION 7.11.(c)** Section 5 of S.L. 2016-110 reads as rewritten:

36 "SECTION 5. There is appropriated from the General Fund to the Department of Public
37 Instruction four hundred thousand dollars (\$400,000) in recurring funds for the 2016-2017
38 fiscal year for salary and benefits for the ASD Superintendent, staff, and other expenses
39 associated with the ASD. Any funds appropriated for this purpose that are unexpended at the
40 end of the 2016-2017 fiscal year shall not revert but shall remain available for one-time start-up
41 expenses of the ASD until the end of the 2017-2018 fiscal year. There is appropriated from the
42 General Fund to the Department of Public Instruction five hundred thousand dollars (\$500,000)
43 for the 2016-2017 fiscal year to contract with an independent research organization to conduct
44 the evaluation required in Section 4 of this act. Funds appropriated to the Department of Public
45 Instruction for the 2016-2017 fiscal year for the evaluation shall not revert at the end of the
46 fiscal year but shall remain available until expended."

47 **SECTION 7.11.(d)** This section becomes effective June 30, 2017.

48 49 **PROHIBIT TRANSFER OF LIMITED ENGLISH PROFICIENCY FUNDS**

50 **SECTION 7.12.** G.S. 115C-105.25(b) is amended by adding a new subdivision to
51 read:

1 "(10a) No funds shall be transferred out of the limited English proficiency
2 allotment category."

3
4 **PROHIBIT TRANSFER OF TEXTBOOKS AND DIGITAL RESOURCES FUNDS**

5 **SECTION 7.13.** G.S. 115C-105.25 reads as rewritten:

6 **"§ 115C-105.25. Budget flexibility.**

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

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

12 ...

13 (12) No funds shall be transferred out of the textbooks and digital resources
14 allotment category.

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

18 ...

19 ~~(4) A description of any transfer of funds from the textbooks and digital~~
20 ~~resources allotment into another allotment category with an explanation of~~
21 ~~why the transfer from the textbooks and digital resources allotment was~~
22 ~~made to a different allotment category.~~

23 (5) A chart that clearly reflects how the local school administrative unit spent
24 State funds."
25

26 **LIMITATIONS ON K-5 CLASSROOM TEACHER POSITIONS/PROGRAM**
27 **ENHANCEMENT TEACHERS**

28 **SECTION 7.14.(a)** Section 1(a)(2) of S.L. 1995-450 is repealed.

29 **SECTION 7.14.(b)** Beginning with the 2017-2018 fiscal year, the funding
30 allotment for classroom teachers in the State Public School Fund shall be replaced with the
31 following funding allotments:

32 (1) Classroom teachers in grades kindergarten through five.

33 (2) Classroom teachers in grades six through 12.

34 **SECTION 7.14.(c)** G.S. 115C-105.25(b) reads as rewritten:

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

37 ...

38 (5a) Positions allocated for classroom teachers may be converted to dollar
39 equivalents to contract for visiting international exchange teachers through a
40 visiting international exchange teacher program approved by the State.
41 These positions shall be converted at the statewide average salary for
42 classroom teachers, including benefits. The converted funds shall be used
43 only to provide visiting international exchange teachers with salaries
44 commensurate with their experience levels, to provide any State-approved
45 bonuses, and to cover the costs associated with supporting visiting
46 international exchange teachers within the local school administrative unit,
47 including programming and related activities, background checks, medical
48 coverage, and other program administration services in accordance with the
49 federal regulations for the Exchange Visitor Program, 22 C.F.R. Part 62.

1 (5b) Except as provided in subdivision (5a) of this subsection, positions allocated
 2 for classroom teachers and instructional support personnel may be converted
 3 as follows:

4 a. For the allotment for classroom teachers in grades six through 12,
 5 classroom teacher positions may be converted to dollar equivalents
 6 for any purpose authorized by the policies of the State Board of
 7 Education. These positions shall be converted at the salary on the
 8 first step of the "A" Teachers Salary Schedule. ~~Certified position~~
 9 allotments These positions shall not be transferred to dollars to hire
 10 the same type of position.

11 b. For the allotment for classroom teachers in grades kindergarten
 12 through five, classroom teacher positions allocated for each grade in
 13 accordance with State Board of Education policy shall be used only
 14 for classroom teacher positions, including program enhancement
 15 teachers, as defined in G.S. 115C-301(f)(2), serving students in
 16 grades kindergarten through five. Those positions shall not be
 17 converted to dollar equivalents for any purpose except to contract for
 18 visiting international exchange teachers under subdivision (5a) of this
 19 subsection.

20 c. For the allotment for instructional support personnel, instructional
 21 support personnel positions may be converted to dollar equivalents
 22 for any purpose authorized by the policies of the State Board of
 23 Education. These positions shall be converted at the salary on the
 24 first step of the "A" Teachers Salary Schedule. These positions shall
 25 not be transferred to dollars to hire the same type of position.

26 "...."

27 **SECTION 7.14.(d)** It is the intent of the General Assembly to use the data
 28 collected in accordance with the reporting requirements set forth in Section 2 of S.L. 2017-9 to
 29 fund a new allotment for kindergarten through fifth grade program enhancement teachers for
 30 local school administrative units beginning with the 2018-2019 fiscal year.

31 **CLASS SIZE FLEXIBILITY FOR CURRENT PILOT PROGRAMS**

32 **SECTION 7.15.(a)** Section 8.7(i) of S.L. 2016-94 is repealed.

33 **SECTION 7.15.(b)** Notwithstanding G.S. 115C-301 or Section 1(b) of S.L.
 34 2017-9, local school administrative units approved by the State Board of Education to
 35 participate in the teacher compensation models and advanced teaching roles pilot program
 36 established under Section 8.7 of S.L. 2016-94 may allow a certain number of schools that were
 37 identified in their proposals to exceed individual class size requirements in kindergarten
 38 through third grade for the duration of the pilot program ending with the 2019-2020 school year
 39 as follows:

- 40 (1) Chapel-Hill Carrboro City Schools: 20 schools.
- 41 (2) Charlotte-Mecklenburg Schools: 46 schools.
- 42 (3) Edgecombe County Schools: 14 schools.
- 43 (4) Pitt County Schools: four schools.
- 44 (5) Vance County Schools: three schools.
- 45 (6) Washington County Schools: five schools.

46 **SECTION 7.15.(c)** In addition to the schools listed in subsection (b) of this
 47 section, schools participating in the existing Project LIFT, Inc., program in
 48 Charlotte-Mecklenburg Schools (CMS) may exceed individual class size requirements in
 49 kindergarten through third grade for the duration of that program. The schools participating in
 50 the Project LIFT, Inc., program are those schools within the feeder area for West Charlotte
 51

1 High School governed by the collaborative agreement between the CMS Board of Education
2 and Project Leadership and Investment for Transformation.

3 **SECTION 7.15.(d)** Subsection (b) of this section expires June 30, 2020.
4

5 **IMPROVE EDUCATION FINANCIAL AND INFORMATION TRANSPARENCY**

6 **SECTION 7.16.(a)** The Department of Public Instruction shall implement the
7 School Business System Modernization Plan, as proposed by the State Board of Education in
8 the report required by Section 8.15(b) of S.L. 2016-94, using the funds appropriated by this act
9 for that purpose. It is the intent of the General Assembly to fund a multiphase, multiyear project
10 to (i) modernize State and local education financial, human capital, and school information
11 systems, (ii) provide for a common reporting system and analytics system, (iii) integrate
12 financial, payroll, human resources, and related human capital systems through the use of a
13 new software as a service enterprise resource planning (ERP) solution, make enhancements to
14 existing local systems, or both, and (iv) link the State licensure system with the upgraded local
15 systems. The State Superintendent of Public Instruction (State Superintendent) shall review and
16 improve business processes in the Department of Public Instruction, as appropriate, and
17 modernize State systems at the Department.

18 **SECTION 7.16.(b)** The State Superintendent shall work with the Friday Institute
19 for Educational Innovation at North Carolina State University, the Government Data Analytics
20 Center (GDAC), local superintendents, charter school leadership, and local school
21 administrative unit personnel administrators and finance officers to establish common data
22 reporting requirements, consistent with the Uniform Education Reporting System established
23 by the State Board of Education. All local school administrative units and charter schools shall
24 comply with the reporting requirements.

25 **SECTION 7.16.(c)** Of the funds appropriated to the Department of Public
26 Instruction by this act for the school business system modernization plan for the 2017-2019
27 fiscal biennium, the Department may use the sum of up to one million four hundred thirty
28 thousand dollars (\$1,430,000) in the 2017-2018 fiscal year and one million four hundred
29 twenty thousand dollars (\$1,420,000) in the 2018-2019 fiscal year to establish positions, to
30 contract for services, or both for business-specific project management. The State
31 Superintendent shall be responsible for the implementation of the activities specified under this
32 subsection and may appoint one of the positions established pursuant to Section 7.10 of this act
33 to oversee the business-specific project management required to implement the school business
34 system modernization plan and other operating costs as necessary.

35 **SECTION 7.16.(d)** Of the funds appropriated to the Department of Public
36 Instruction by this act for the school business system modernization plan for the 2017-2019
37 fiscal biennium, the Department shall transfer up to three million two hundred fifty thousand
38 dollars (\$3,250,000) for the 2017-2018 fiscal year and up to two hundred fifty thousand dollars
39 (\$250,000) for the 2018-2019 fiscal year to GDAC to leverage existing public-private
40 partnerships for the development and deployment of a data integration service that consolidates
41 data from financial, human resources, licensure, student information, and related systems.
42 Implementation shall also include development and deployment of a modern analytical
43 platform and reporting environment. By December 1, 2017, GDAC shall execute any
44 contractual agreements and interagency data sharing agreements necessary to develop the
45 reporting system established by this section.

46 **SECTION 7.16.(e)** As required by Section 8.15(c) of S.L. 2016-94, the State
47 Superintendent shall issue a Request for Proposal for an ERP software as a service solution by
48 October 1, 2017. The State Superintendent may issue additional requests for proposals as
49 needed to complete the requirements of subsection (a) of this section. The State Superintendent
50 shall select the vendors for the development and implementation of the ERP and other
51 enhancement solutions.

1 **SECTION 7.16.(f)** Prior to executing any contractual agreements and interagency
2 data sharing agreements necessary to develop the financial reporting system as provided for in
3 this section, the State Superintendent shall submit to the Joint Legislative Education Oversight
4 Committee (Committee) and the Fiscal Research Division an initial report by September 15,
5 2017, on the progress of GDAC's development and deployment of a data integration service
6 that consolidates data from financial, human resources, licensure, student information, and
7 related systems. The State Superintendent shall also submit an interim report to the Committee
8 and the Fiscal Research Division by January 30, 2018, on the selection of a vendor for an ERP
9 software as a service solution. Thereafter, the State Superintendent shall submit annual reports
10 to the Committee and the Fiscal Research Division by March 15 of each year on the
11 expenditure of funds for the project and progress of implementation until the completion of the
12 project.

13 **SECTION 7.16.(g)** Funds appropriated to the Department of Public Instruction for
14 the 2017-2019 fiscal biennium to implement the school business modernization system shall
15 not revert at the end of the fiscal year but shall remain available until expended.
16

17 **OFFICE OF CHARTER SCHOOLS/WEB-BASED RECORD AND DATA** 18 **MANAGEMENT**

19 **SECTION 7.17.(a)** The Department of Public Instruction shall use up to two
20 hundred thousand dollars (\$200,000) each fiscal year of the 2017-2019 fiscal biennium to
21 support the purchase of a Web-based electronic records and data reporting management system
22 to automate and streamline reporting and accountability requirements to assist the Office of
23 Charter Schools (OCS) in complying with the annual reporting obligations of charter schools
24 from the following available funds:

- 25 (1) For the 2017-2018 fiscal year, the Department shall use funds appropriated
26 to the Department for the Uniform Education Reporting System (UERS) by
27 S.L. 2015-241 for the 2016-2017 fiscal year that were unexpended and did
28 not revert at the end of the 2016-2017 fiscal year in accordance with Section
29 8.7 of that act.
- 30 (2) For the 2018-2019 fiscal year, the Department shall use funds appropriated
31 to the Department for UERS by this act for the 2017-2018 fiscal year that are
32 unexpended and do not revert at the end of the 2017-2018 fiscal year in
33 accordance with Section 7.6 of this act.

34 **SECTION 7.17.(b)** The Department shall purchase a system pursuant to subsection
35 (a) of this section that meets all of the following requirements:

- 36 (1) Allows OCS to develop and assign submission types to manage compliance
37 with applicable law, control document transparency reporting, and create
38 and manage users and roles throughout the system.
- 39 (2) Controls collections of documents to assist in core authorizing functions,
40 including the charter school application and charter school renewal
41 processes.
- 42 (3) Provides for the visualization of academic, financial, and demographic
43 information for either an individual school or a portfolio of charter schools.
- 44 (4) Provides for the safe and secure electronic storage of documents in a Tier 3
45 datacenter that meets the following standards:
 - 46 a. Sarbanes-Oxley Act (SOX) compliant, including Statement on
47 Auditing Standards (SAS) No. 70, Statement on Standards for
48 Attestation Engagements (SSAE) No. 16, Service Organization
49 Control (SOC) No. 1, and SOC No. 2.

- 1 b. Health Insurance Portability and Accountability Act (HIPAA)
2 compliant, including the Office for Civil Rights (OCR) HIPAA Audit
3 Protocol.
4 c. Payment Card Industry (PCI) Data Security Standard (DSS)
5 compliant.
6 d. Safe Harbor certification program compliant.
7

8 STATE BOARD OF EDUCATION/USE OF STATE FUNDS

9 SECTION 7.18.(a) G.S. 115C-11 reads as rewritten:

10 "§ 115C-11. Organization and internal procedures of Board.

11 (a) Presiding Officer. – The State Board of Education shall elect from its membership a
12 chairman and vice-chairman. A majority of the Board shall constitute a quorum for the
13 transaction of business. In accordance with the provisions of this section, Perper diem and
14 expenses of the appointive members of the Board shall be provided by the General
15 Assembly pursuant to G.S. 138-5. The chairman of the Board shall preside at all meetings of
16 the Board. In the absence of the chairman, the vice-chairman shall preside; in the absence of
17 both the chairman and the vice-chairman, the Board shall name one of its own members as
18 chairman pro tempore.

19 ...

20 (b) Regular Meetings of Board. – The regular meetings of the Board shall be held each
21 month on a day certain, as determined by the Board. The Board shall determine the hour of the
22 meeting, which may be adjourned from day to day, or to a day certain, until the business before
23 the Board has been completed. Per diem and expenses of appointive and advisory members of
24 the Board shall be provided for up to two business days each month for the regular meetings of
25 the State Board.

26 (b1) Annual meeting with the State Board of Community Colleges and the Board of
27 Governors of The University of North Carolina. The State Board of Education shall meet with
28 the State Board of Community Colleges and the Board of Governors of The University of
29 North Carolina at least once a year to discuss educational matters of mutual interest and to
30 recommend to the General Assembly such policies as are appropriate to encourage the
31 improvement of public education at every level in this State. The meeting in 1987 and every
32 three years thereafter shall be hosted by the University Board of Governors, the meeting in
33 1988 and every three years thereafter shall be hosted by the State Board of Education, and the
34 meeting in 1989 and every three years thereafter shall be hosted by the State Board of
35 Community Colleges. Per diem and expenses of appointive and advisory members of the Board
36 shall be provided for the annual meeting required by this subsection.

37 (c) Special Meetings. – Special meetings of the Board may be set at any regular
38 meeting or may be called by the chairman or by the secretary upon the approval of the
39 chairman: Provided, a special meeting shall be called by the chairman upon the request of any
40 five members of the Board. In case of regular meetings and special meetings, the secretary shall
41 give notice to each member, in writing, of the time and purpose of the meeting, by letter
42 directed to each member at his home post-office address. Such notice must be deposited in the
43 Raleigh Post Office at least three days prior to the date of meeting. Appointive and advisory
44 members of the Board shall not receive per diem and expenses for special meetings of the
45 Board set pursuant to this subsection.

46 ...

47 (f) Committees. – The Board may create from its membership such committees as it
48 deems necessary to facilitate its business. The chairman of the Board shall with approval of the
49 majority of the Board appoint members to the several committees authorized by the Board and
50 to any additional committees which the chairman may deem to be appropriate. Appointive and
51 advisory members of the Board shall not receive per diem and expenses for committee

1 meetings of the Board, except for a committee meeting held on the same day as a regular
 2 meeting of the Board for which per diem and expenses are provided in accordance with
 3 subsection (b) of this section.

4 (f1) General Limitation on Per Diem and Expenses. – Except as otherwise provided in
 5 this section and G.S. 115C-12.1, appointive and advisory members of the Board shall not
 6 receive per diem and expenses for activities of the Board, unless such per diem and expenses is
 7 otherwise authorized by law for an individual member of the Board serving the State in another
 8 capacity.

9 "...."

10 **SECTION 7.18.(b)** G.S. 115C-12.1 reads as rewritten:

11 "**§ 115C-12.1. Training of State Board members.**

12 The State Board of Education shall establish minimum training requirements for members
 13 of the State Board of Education. All Board members shall participate in training programs, as
 14 required by the State Board. Per diem and expenses of appointive and advisory members of the
 15 State Board shall be provided to members for the training required by this section."

16 **SECTION 7.18.(c)** Article 2 of Chapter 115C of the General Statutes is amended
 17 by adding a new section to read:

18 "**§ 115C-13.5. Prohibition on use of State funds to employ private counsel in litigation.**

19 Notwithstanding G.S. 114-2.3 and G.S. 147-17, the State Board of Education shall not use
 20 any State funds to employ private counsel to provide litigation services to the State Board of
 21 Education. As used in this section, litigation services include legal work conducted in
 22 anticipation of or in preparation for any suit or action. As used in this section, private counsel
 23 includes any licensed attorney retained, engaged, or otherwise representing the State Board of
 24 Education but does not include a licensed attorney who holds a permanent budgeted position in
 25 either the Department of Justice or the State Board of Education."

26 **SECTION 7.18.(d)** The State Board of Education may only appoint the following
 27 personnel positions to support the meetings and direct operations of the office of the State
 28 Board of Education:

	<u>Position number</u>	<u>Title</u>
29		
30	(1) 65023576	Attorney I.
31	(2) 60009384	Attorney II.
32	(3) 65003194	Paralegal II.
33	(4) 60095070	Administrative Assistant I.

34 The State Board of Education may utilize other staff employed through the
 35 Department of Public Instruction to provide administrative and technical assistance to the State
 36 Board and to carry out the directives of the State Board.

37 **SECTION 7.18.(e)** Subsection (c) of this section shall not apply to State funds that
 38 are encumbered for the 2016-2017 fiscal year for the purposes of employing private counsel to
 39 represent the State Board of Education.

41 **TEACHERS/ISOLATED K-12 SCHOOLS**

42 **SECTION 7.19.** G.S. 115C-301, as amended by S.L. 2017-9, is amended by
 43 adding a new subsection to read:

44 "(g1) Notwithstanding any other provision of this section, the State Board of Education
 45 shall allot additional classroom teachers to schools containing grades kindergarten through 12
 46 when consolidation is not feasible due to the geographic isolation of the school and the school
 47 meets at least one of the following criteria for geographic isolation:

48 (1) The school is located in a local school administrative unit in which the
 49 average daily membership is less than 1.5 per square mile.

50 (2) The school is located in a local school administrative unit for a county
 51 containing more than 150,000 acres of national forest owned by the federal

1 government and managed by the United States Forest Service pursuant to
2 G.S. 104-5.

3 The State Board shall allot teachers to geographically isolated schools pursuant to this
4 subsection on the basis of one classroom teacher per grade level and shall allot teachers to the
5 remainder of the local school administrative unit in accordance with the formulas for the
6 regular classroom teacher allotments."

7 8 **TURNING TAS INTO TEACHERS PILOT EXPANSION**

9 **SECTION 7.20.** Section 8.29 of S.L. 2016-94 reads as rewritten:

10 **"TEACHER ASSISTANT TUITION REIMBURSEMENT PILOT PROGRAM**

11 **"SECTION 8.29.(a)** Purpose. – The purpose of this section is to establish a pilot program
12 ~~for~~ for, beginning with the 2016-2017 fiscal year, the local boards of education of the Anson
13 County, Franklin County, Moore County, Richmond County, and Scotland County school
14 administrative units and, beginning with the 2017-2018 fiscal year, the local boards of
15 education of the Alamance-Burlington Schools, Beaufort County Schools, Bertie County
16 Schools, Duplin County Schools, Edenton-Chowan Schools, Edgecombe County Schools,
17 Guilford County Schools, Halifax County Schools, Nash-Rocky Mount Schools, Northampton
18 County Schools, Randolph County Schools, Tyrrell County Schools, Vance County Schools,
19 and Washington County Schools to provide tuition assistance awards to part-time or full-time
20 teacher assistants working in those local school administrative units to pursue a college degree
21 that will result in teacher licensure. Tuition assistance awards under the program may be
22 provided for part-time or full-time coursework. A local board of education may grant a teacher
23 assistant academic leave to pursue coursework that may only be taken during working hours. A
24 teacher assistant receiving an award under the program shall fulfill the student teaching
25 requirements of an educator preparation program by working in the teacher assistant's
26 employing local school administrative unit. A teacher assistant may continue to receive salary
27 and benefits while student teaching in the local school administrative unit in accordance with
28 G.S. 115C-310.

29 ...
30 **"SECTION 8.29.(d)** The local boards of education participating in the pilot program for
31 the 2016-2017 fiscal year shall jointly report to the Joint Legislative Education Oversight
32 Committee by September 1, ~~2017,~~ 2017. All of the local boards of education participating in
33 the pilot program shall jointly report to the Joint Legislative Education Oversight Committee
34 by September 1, 2018, and by September 1 of each year thereafter on the results of the pilot
35 program, including at least the following information:

- 36 (1) The number and amount of funds in tuition assistance awards provided to
37 teacher assistants.
38 (2) The number of teacher assistant recipients who achieved teacher licensure,
39 including the period of time from the issue of an initial tuition assistance
40 award to the time of achieving licensure.
41 (3) The number of recipients who remained employed in the local school
42 administrative unit after achieving teacher licensure."
43

44 **DRIVER SAFETY INCENTIVE PROGRAM**

45 **SECTION 7.21.(a)** G.S. 115C-215(a) reads as rewritten:

46 "(a) In accordance with criteria and standards approved by the State Board of Education,
47 the State Superintendent of Public Instruction shall organize and administer a standardized
48 program of driver education to be offered at the public high schools of this State for all
49 physically and mentally qualified persons who (i) are older than 14 years and six months, (ii)
50 are approved by the principal of the school, pursuant to rules adopted by the State Board of
51 Education, (iii) are enrolled in a public or private high school within the State or are receiving

1 instruction through a home school as provided by Part 3 of Article 39 of Chapter 115C of the
2 General Statutes, and (iv) have not previously enrolled in the program. ~~The driver education
3 program shall be for the purpose of making available public education to all students on driver
4 safety and training.~~ The State Board of Education shall use for this purpose all funds
5 appropriated to it for this purpose and may use all other funds that become available for its use
6 for this purpose."

7 **SECTION 7.21.(b)** G.S. 115C-216(g) reads as rewritten:

8 "(g) Fee for Instruction. – The local boards of education shall fund driver education
9 courses from funds available to them and may charge each student participating in a driver
10 education course a fee of up to sixty five dollars (\$65.00) to offset in an amount not to exceed
11 the actual costs of providing the ~~training and instruction~~ course to each individual student. If a
12 local board of education charges a fee for participation in a driver education course, the local
13 board ~~shall~~ may provide a process for reduction or waiver of that fee for students unable to pay
14 the fee due to economic ~~hardship~~ hardship, including a process for the local board to be
15 reimbursed for the portion of the course fee that is not charged to an eligible student under the
16 Driver Safety Incentive Program pursuant to G.S. 115C-217."

17 **SECTION 7.21.(c)** Article 14 of Chapter 115C of the General Statutes is amended
18 by adding a new section to read:

19 **"§ 115C-217. Driver Safety Incentive Program.**

20 (a) Reimbursement of Driver Education Costs. – Within the funds made available for
21 this purpose, the Department of Public Instruction shall establish the Driver Safety Incentive
22 Program (Program) for the reimbursement of the direct costs for a driver education course to a
23 parent or legal guardian of a child who (i) is at least 15 years old but less than 18 years old and
24 (ii) successfully obtains a Level 1 limited learner's permit, in accordance with G.S. 20-11, on
25 the child's first attempt at obtaining the permit. The Department shall establish eligibility
26 guidelines for reimbursable costs that shall include a course of driver education prescribed in
27 G.S. 115C-215 or a course of driver instruction at a licensed commercial driver training school.
28 The reimbursement amount shall be up to two hundred seventy-five dollars (\$275.00) of the
29 direct costs for one driver education course.

30 If a local board of education reduces or waives the driver education course fee for a student
31 pursuant to G.S. 115C-216(g), the local board may apply for reimbursement to the Department
32 for the portion of the course fee not charged to a student who is eligible for reimbursement
33 under the Program. The total amount of reimbursement to both the parent or legal guardian and
34 the local board of education shall not exceed two hundred seventy-five dollars (\$275.00).

35 (b) Application. – A parent or legal guardian eligible for reimbursement of the driver
36 education direct costs shall apply to the Department of Public Instruction within 90 days of the
37 child obtaining the limited learner's permit. The application shall be submitted in the form
38 required by the Department and shall include (i) documentation from the Division of Motor
39 Vehicles that the child obtained the limited learner's permit on the first attempt and (ii) an
40 invoice or other documentation approved by the Department to demonstrate the direct costs of
41 the driver education course for which the parent or legal guardian is seeking reimbursement.

42 If a local board of education has reduced or waived the driver education course fee pursuant
43 to G.S. 115C-216(g) for a student who is eligible for reimbursement under the Program, the
44 student shall provide any documentation necessary to the local board so that the local board
45 may apply to the Department for the reimbursement of the portion of the fee that was not
46 charged to the student. The local board of education may submit an application for
47 reimbursement under this section for up to 60 days after the eligible student provides the local
48 board the documentation required for the application.

49 (c) Distribution. – The Department of Public Instruction shall make payments for
50 reimbursement within 60 days of the receipt of an application that meets the requirements of
51 this section. In the event that total requests for reimbursement exceed the amounts available for

1 distribution, the monies available shall be distributed in the order of receipt of completed,
2 eligible applications in each fiscal year. In the subsequent fiscal year when funds are available,
3 the Department shall prioritize payment for eligible reimbursement applications submitted in
4 the prior fiscal year that were not paid due to lack of available funds.

5 (d) Administration. – The State Board of Education, in consultation with the
6 Department of Transportation, Division of Motor Vehicles, shall establish any rules necessary
7 for the administration of the reimbursement program by the Department of Public Instruction,
8 including (i) eligibility rules for a person less than 18 years of age who is no longer a dependent
9 of a parent or legal guardian and (ii) submission of applications in accordance with the
10 provisions of this section. For the purposes of this Program, the Division of Motor Vehicles
11 shall implement a process to provide documentation to drivers obtaining their limited learner's
12 permits on the first attempt. The Department of Public Instruction may use up to five percent
13 (5%) of the funds appropriated for the Program each fiscal year for administrative costs,
14 including reimbursing the Division of Motor Vehicles for costs related to providing
15 documentation to drivers obtaining their limited learner's permits on the first attempt.

16 (e) Report. – The Department of Public Instruction shall report by March 15 of each
17 fiscal year to the Fiscal Research Division and the Joint Legislative Education Oversight
18 Committee on the administration of the reimbursement program for the prior fiscal year,
19 including (i) the amount of reimbursement funds distributed under the Program, (ii) the type of
20 driver education course submitted for reimbursement of costs, including if the course was
21 operated solely by a local board of education, by a local board of education contracting with
22 another public or a private entity for delivery of the course, or a licensed commercial driver
23 training school, (iii) the extent to which the reimbursement amount covers the total direct cost
24 of driver education courses, (iv) the amount of reimbursements requested by local boards of
25 education to cover reduced or waived course fees, and (v) an estimate of the cost of the
26 Program for the upcoming fiscal year."

27 **SECTION 7.21.(d)** G.S. 115C-105.25(b)(11) is repealed.

28 **SECTION 7.21.(e)** Section 5.3(c) of S.L. 2015-241, as amended by Section 5.2 of
29 S.L. 2016-94, is repealed.

30 **SECTION 7.21.(f)** Subsections (a) and (b) of this section apply beginning with the
31 2017-2018 school year. Subsection (c) of this section applies to driver education courses
32 completed on or after July 1, 2017.

33 **COOPERATIVE INNOVATIVE HIGH SCHOOL FUNDING CHANGES**

34 **SECTION 7.22.(a)** Legislative Findings. – The General Assembly finds the
35 following in regard to the State's long-term, ongoing investment in providing high school
36 students with opportunities to obtain postsecondary credit and career credentials at no cost to
37 the student in order to maximize cost savings to students in obtaining a postsecondary
38 education:
39

- 40 (1) Dual enrollment opportunities for high school students have been available
41 in the State for many years but began to significantly grow in the early-
42 mid-2000s as a result of the General Assembly's enactment of the Innovative
43 Education Initiatives Act and the establishment of the cooperative innovative
44 high school program pursuant to Part 9 of Article 16 of Chapter 115C of the
45 General Statutes. This act demonstrated the State's commitment in
46 prioritizing cooperative efforts between secondary schools and institutions of
47 higher education so as to reduce the high school dropout rate, increase high
48 school and college graduation rates, decrease the need for remediation in
49 institutions of higher education, and raise certificate, associate, and bachelor
50 degree completion rates.

- 1 (2) To ensure continued efficiency in the investment of State funds to provide
2 postsecondary dual enrollment programs for high school students, the
3 General Assembly directed the State Board of Education and the State Board
4 of Community Colleges to jointly establish the Career and College Promise
5 Program pursuant to Section 7.1A of S.L. 2011-145, effective January 1,
6 2012, to consolidate existing cooperative efforts between secondary schools
7 and institutions of higher education by providing (i) for specific pathways
8 for obtaining college credit that is transferable to community colleges and
9 institutions of higher education, (ii) for college credit leading to a
10 subject-area certificate, diploma, or degree, and (iii) through enrollment at a
11 cooperative innovative high school, enabling students to concurrently obtain
12 a high school diploma and to begin or complete an associate degree
13 program, master a certificate or vocational program, or earn up to two years
14 of college credit within five years.
- 15 (3) The recent growth in the establishment of cooperative innovative high
16 school programs has resulted in a steady increase in full-time equivalent
17 (FTE) student enrollment at community colleges due to the maturation of
18 those programs, including an increase of one hundred forty percent (140%)
19 in FTE enrollment for these students between 2008-2009 and 2013-2014.
- 20 (4) The implementation of other Career and College Promise pathways enabling
21 certain traditional high school students to concurrently enroll in
22 postsecondary courses leading to a defined academic goal has also resulted
23 in a recent rise in student enrollment at community colleges with a thirty
24 percent (30%) increase in the College Transfer pathway and a twenty-one
25 percent (21%) increase in the Career and Technical Education pathway
26 between 2012-2013 and 2013-2014.
- 27 (5) For the 2013-2014 academic year, the General Assembly appropriated
28 fifty-seven million dollars (\$57,000,000) in State funds to cover community
29 college FTE for 11,389 students during the first year of full implementation
30 of the Career and College Promise Program.
- 31 (6) For the 2015-2016 fiscal year, the General Assembly appropriated the
32 following amounts to cover the cost of cooperative innovative high schools
33 and other Career and College Promise programs as follows:
- 34 a. For the cooperative innovative high school allotment, the sum of
35 twenty-five million four hundred eighty-eight thousand seven
36 hundred twenty-five dollars (\$25,488,725).
- 37 b. For community college FTE for the following:
- 38 1. For students enrolled in cooperative innovative high schools,
39 the sum of forty-two million two hundred ninety-one
40 thousand three hundred eighty-six dollars (42,291,386).
- 41 2. For students enrolled in courses that count toward the College
42 Transfer pathway, the sum of twenty-one million three
43 hundred forty-three thousand five hundred seven dollars
44 (\$21,343,507).
- 45 3. For students enrolled in courses that count toward the Career
46 and Technical Education pathway, the sum of twenty-one
47 million seven hundred eight thousand nine hundred thirty-two
48 dollars (\$21,708,932).
- 49 c. For the reimbursement of tuition for constituent institutions of the
50 University of North Carolina as a partner institution of higher
51 education to a cooperative innovative high school, the sum of one

1 million nine hundred forty-five thousand two hundred one dollars
2 (\$1,945,201).

3 d. For the reimbursement of tuition for private colleges located in North
4 Carolina that are a partner institution of higher education to a
5 cooperative innovative high school, the sum of four hundred
6 fifty-seven thousand six hundred thirty-nine dollars (\$457,639).

7 (7) Since considerable State funds have been appropriated on an ongoing basis
8 to cover the cost of high school student enrollment at community colleges,
9 constituent institutions, and approved private colleges pursuant to
10 G.S. 115C-238.54 and G.S. 115D-5(b)(12) as part of the Career and College
11 Promise programs, it is necessary to examine the total cost of these programs
12 and prioritize the appropriation of State funds to achieve the General
13 Assembly's goal of maximizing cost savings to students in obtaining a
14 postsecondary education. This includes reducing funds allocated for the
15 cooperative innovative high school allotment for local school administrative
16 units with established programs and new programs in areas of the State with
17 significant resources to support those schools and to more effectively utilize
18 these funds in supporting and establishing cooperative innovative high
19 schools in economically distressed areas of the State.

20 **SECTION 7.22.(b)** Study. – In accordance with the legislative finding set forth in
21 subdivision (7) of subsection (a) of this section, by February 15, 2018, the State Board of
22 Community Colleges, the Board of Governors of The University of North Carolina, and the
23 State Board of Education shall study and report to the Senate Appropriations Committee on
24 Education/Higher Education, the House Appropriations Committee on Education, the Fiscal
25 Research Division, and the Joint Legislative Education Oversight Committee on the costs
26 associated with the Career and College Promise Program, including operation of cooperative
27 innovative high schools and the cost of concurrent enrollment in the high school and the
28 institution of higher education, student outcomes related to the Program, and any legislative
29 recommendations on modifications to the administration and funding for the Program,
30 including the use of State funds for the planning and establishment of new cooperative
31 innovative high schools in economically distressed areas of the State. Legislative
32 recommendations shall also specifically address the use of the funds for the cooperative
33 innovative high school allotment, whether the allotment is necessary for the operation of the
34 schools, and how modification or discontinuation of the allotment would impact the programs.

35 **SECTION 7.22.(c)** Established Cooperative Innovative High Schools Located in
36 Tier III Areas. – For the 2017-2018 fiscal year, notwithstanding G.S. 115C-238.54 and any
37 other provision of law to the contrary, for a cooperative innovative high school that, as of July
38 1, 2017, (i) was approved under G.S. 115C-238.51A(c), (ii) has received a cooperative
39 innovative high school allotment for at least three of the prior fiscal years, and (iii) is located in
40 a development tier three area as defined in G.S. 143B-437.08, the cooperative innovative high
41 school allotment amount established by the Department of Public Instruction for the 2017-2018
42 fiscal year shall be reduced by twenty-five percent (25%). For the 2018-2019 fiscal year and
43 subsequent fiscal years, these same schools shall receive a fifty percent (50%) reduction of the
44 cooperative innovative high school allotment amount established by the Department of Public
45 Instruction for each fiscal year in which the allotment is allocated to local school administrative
46 units for approved cooperative innovative high schools. For the 2017-2019 fiscal biennium,
47 these schools shall continue to receive additional State funds for community college FTE and
48 tuition reimbursement for institutions of higher education, as applicable.

49 **SECTION 7.22.(d)** Certain New Cooperative Innovative High Schools Located in
50 Tier I Areas. – Of the funds made available to the Department of Public Instruction for the
51 2017-2019 fiscal biennium from the reduction in the cooperative innovative high school

1 allotment for certain schools in accordance with subsection (c) of this section, the Department
2 shall allocate the sum of three hundred sixteen thousand six hundred forty-six dollars
3 (\$316,646) in each fiscal year to Northampton County Schools for the Northampton County
4 New Tech Early College and to Washington County Schools for the Washington County Early
5 College High School.

6 **SECTION 7.22.(e)** Other New Cooperative Innovative High Schools Located in
7 Tier I Areas. – For the 2017-2019 fiscal biennium, the Department of Public Instruction shall
8 allocate funds to local school administrative units located in a development tier one area as
9 defined in G.S. 143B-437.08 as of July 1, 2017, with a cooperative innovative high school that
10 (i) was approved by the State Board of Education under G.S. 115C-238.51A(c) and (ii) did not
11 receive cooperative innovative high school allotment funds in a prior fiscal year as follows:

- 12 (1) For the 2017-2018 fiscal year, any of the remaining funds available after the
13 Department allocates funds to the local school administrative units as
14 required by subsection (d) of this section shall be allocated in equal amounts
15 by the Department to local school administrative units for each eligible
16 cooperative innovative high school located in the unit.
- 17 (2) For the 2018-2019 fiscal year, any of the remaining funds available after the
18 Department allocates funds to the local school administrative units as
19 required by subsection (d) of this section shall be allocated in equal amounts
20 of up to three hundred sixteen thousand six hundred forty-six dollars
21 (\$316,646) to local school administrative units for each eligible cooperative
22 innovative high school located in the unit.

23 **SECTION 7.22.(f)** Reporting Requirement on the Career and College Promise
24 Programs. – G.S. 115D-5 is amended by adding a new subsection to read:

25 "(x) In addition to the evaluation of cooperative innovative high schools by the State
26 Board of Education pursuant to G.S. 115C-238.55, the State Board of Community Colleges, in
27 conjunction with the State Board of Education and the Board of Governors of The University
28 of North Carolina, shall evaluate the success of students participating in the Career and College
29 Promise Program, including the College Transfer pathway and the Career and Technical
30 Education pathway. Success shall be measured by high school retention rates, high school
31 completion rates, high school dropout rates, certification and associate degree completion,
32 admission to four-year institutions, postgraduation employment in career or study-related
33 fields, and employer satisfaction of employees who participated in the programs. The Boards
34 shall jointly report by January 15 of each year to the Joint Legislative Education Oversight
35 Committee."

36 **SECTION 7.22.(g)** Certain CIHSs Operating Without Additional Funds. –
37 Beginning with the 2017-2018 school year and for subsequent school years thereafter,
38 notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54, Charlotte Middle College at
39 Merancas Campus, Charlotte Teacher Cadet Early College, Harnett County Early College,
40 Agriculture and Science Early College, Onslow Early College High School, and Wake CTE
41 High School North shall be permitted to operate in accordance with G.S. 115C-238.53 and
42 G.S. 115C-238.54 as cooperative innovative high schools approved under
43 G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of
44 G.S. 115C-238.55.

46 **PREPARING FUTURE WORKFORCE IN CODING AND MOBILE APP** 47 **DEVELOPMENT GRANT PROGRAM**

48 **SECTION 7.23.(a)** Program Purpose. – The Department of Public Instruction shall
49 establish the Coding and Mobile Application Grant Program (Program) to develop industry
50 partnerships with local school administrative units and charter schools to design and implement
51 computer science, coding, and mobile application development curricular programs for middle

1 school and high school students. Funds appropriated for the Program shall be used to award
2 competitive grants of up to four hundred thousand dollars (\$400,000) each fiscal year to grant
3 recipients. Grant funds shall be used for the purchase of equipment, digital materials, and
4 related capacity building activities, which may include teacher professional development for
5 coding, computer science, and mobile application development initiatives. Grant recipients
6 shall use no more than five percent (5%) of the grant award each fiscal year for administrative
7 costs.

8 **SECTION 7.23.(b)** Program Criteria and Guidelines; Applications. – By August
9 15, 2017, the Superintendent of Public Instruction shall establish criteria and guidelines for
10 grant applications and Program requirements for local school administrative units and charter
11 schools, including sufficient curricular rigor for courses offered to students. The Department of
12 Public Instruction shall accept applications for the first year of the Program until October 15,
13 2017. For subsequent fiscal years in which funds are available for new applications to the
14 Program, the Department shall accept applications until May 15 of that year. Grant applicants
15 shall submit at least the following information in their applications:

- 16 (1) A description of how the proposed partnership initiative will provide
17 increased career opportunities for students to engage in high-wage,
18 high-skill, and high-demand occupations.
- 19 (2) Demonstrated evidence of employer demand for the partnership initiative
20 and related career and technical education (CTE) training, including
21 documentation of industry involvement in the partnership initiative.
- 22 (3) A proposed budget for the partnership initiative, including demonstrated
23 commitment of local or regional partners to sustain the programs beyond the
24 initial grant funding.
- 25 (4) A description of how the proposed initiative aligns with other programs,
26 including CTE, Career and College Pathways, and postsecondary programs
27 and, if appropriate, how equipment necessary for the initiative will be
28 utilized by partners.
- 29 (5) A description of how the project will create innovative, nontraditional, and
30 immediate career pathways for students to enter high demand jobs in the
31 development of mobile software applications.

32 **SECTION 7.23.(c)** Selection of Recipients. – In selecting recipients for the
33 Program, the Superintendent of Public Instruction shall consider diversity among the pool of
34 applicants, including geographic location, the positive impact on the community of industry
35 partnerships, and the size of the student population served by the recipient, in order to award
36 funds to the extent possible to grant recipients that represent different characteristics of the
37 State. The Superintendent of Public Instruction shall select initial grant recipients by November
38 15, 2017, to begin implementation of the partnership initiatives under the Program as early as
39 the spring semester of the 2017-2018 school year. For subsequent fiscal years in which funds
40 are available for new applications to the Program, the Superintendent shall select grant
41 recipients by July 15 of that year.

42 **SECTION 7.23.(d)** Reporting Requirements. – By August 1 of each year of the
43 Program, grant recipients shall submit a report to the Department of Public Instruction,
44 beginning with an initial report by August 1, 2018, for the preceding year in which grant funds
45 were expended that provides at least the following information on the partnership initiative:

- 46 (1) The use of grant funds.
- 47 (2) The number of students by grade level participating in the partnership
48 initiative.
- 49 (3) The number of students who subsequently participated in work-based
50 opportunities, internships, or apprenticeship programs and a description of
51 the types of opportunities for those students.

- 1 (4) Student outcome data regarding job attainment and postsecondary
2 opportunities as a result of the partnership initiative.
- 3 (5) Any other information the Superintendent of Public Instruction deems
4 necessary.

5 By September 15 of each year of the Program, the Department shall report to the
6 Joint Legislative Education Oversight Committee and the Fiscal Research Division, beginning
7 with an initial report by September 15, 2018, on grant recipients and implementation of the
8 program, including the information required to be reported to the Department pursuant to this
9 subsection and any legislative recommendations for modifications or expansion of the Program.

10
11 **EXTENDED LEARNING AND INTEGRATED STUDENT SUPPORTS**
12 **COMPETITIVE GRANT PROGRAM**

13 **SECTION 7.24.(a)** Of the funds appropriated by this act for the At-Risk Student
14 Services Alternative School Allotment for the 2017-2019 fiscal biennium, the Department of
15 Public Instruction shall use up to six million dollars (\$6,000,000) for the 2017-2018 fiscal year
16 and up to six million dollars (\$6,000,000) for the 2018-2019 fiscal year for the Extended
17 Learning and Integrated Student Supports Competitive Grant Program (Program). Of these
18 funds, the Department of Public Instruction may use up to two hundred thousand dollars
19 (\$200,000) for each fiscal year to administer the Program.

20 **SECTION 7.24.(b)** The purpose of the Program is to fund high-quality,
21 independently validated extended learning and integrated student support service programs for
22 at-risk students that raise standards for student academic outcomes by focusing on the
23 following:

- 24 (1) Use of an evidence-based model with a proven track record of success.
- 25 (2) Inclusion of rigorous, quantitative performance measures to confirm
26 effectiveness of the program.
- 27 (3) Deployment of multiple tiered supports in schools to address student barriers
28 to achievement, such as strategies to improve chronic absenteeism,
29 anti-social behaviors, academic growth, and enhancement of parent and
30 family engagement.
- 31 (4) Alignment with State performance measures, student academic goals, and
32 the North Carolina Standard Course of Study.
- 33 (5) Prioritization in programs to integrate clear academic content, in particular,
34 science, technology, engineering, and mathematics (STEM) learning
35 opportunities or reading development and proficiency instruction.
- 36 (6) Minimization of student class size when providing instruction or
37 instructional supports and interventions.
- 38 (7) Expansion of student access to high-quality learning activities and academic
39 support that strengthen student engagement and leverage community-based
40 resources, which may include organizations that provide mentoring services
41 and private-sector employer involvement.
- 42 (8) Utilization of digital content to expand learning time, when appropriate.

43 **SECTION 7.24.(c)** Grants shall be used to award funds for new or existing eligible
44 programs for at-risk students operated by (i) nonprofit corporations and (ii) nonprofit
45 corporations working in collaboration with local school administrative units. Grant participants
46 are eligible to receive grants for up to two years in an amount of up to five hundred thousand
47 dollars (\$500,000) each year. Programs should focus on serving (i) at-risk students not
48 performing at grade level as demonstrated by statewide assessments, (ii) students at-risk of
49 dropout, and (iii) students at-risk of school displacement due to suspension or expulsion as a
50 result of anti-social behaviors. Priority consideration shall be given to applications

1 demonstrating models that focus services and programs in schools that are identified as
2 low-performing pursuant to G.S. 115C-105.37.

3 A grant participant shall provide certification to the Department of Public
4 Instruction that the grants received under the program shall be matched on the basis of three
5 dollars (\$3.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds
6 shall not include other State funds. The Department shall also give priority consideration to an
7 applicant that is a nonprofit corporation working in partnership with a local school
8 administrative unit resulting in a match utilizing federal funds under Part A of Title I of the
9 Elementary and Secondary Education Act of 1965, as amended, or Title IV of the Higher
10 Education Act of 1965, as amended, and other federal or local funds. Matching funds may
11 include in-kind contributions for up to fifty percent (50%) of the required match.

12 **SECTION 7.24.(d)** A nonprofit corporation may act as its own fiscal agent for the
13 purposes of this Program. Grant recipients shall report to the Department of Public Instruction
14 for the year in which grant funds were expended on the progress of the program, including
15 alignment with State academic standards, data collection for reporting student progress, the
16 source and amount of matching funds, and other measures, before receiving funding for the
17 next fiscal year. Grant recipients shall also submit a final report on key performance data,
18 including statewide test results, attendance rates, graduation rates, and promotion rates, and
19 financial sustainability of the program.

20 **SECTION 7.24.(e)** The Department of Public Instruction shall provide an interim
21 report on the Program to the Joint Legislative Education Oversight Committee by September
22 15, 2018, with a final report on the Program by September 15, 2019. The final report shall
23 include the final results of the Program and recommendations regarding effective program
24 models, standards, and performance measures based on student performance, leveraging of
25 community-based resources to expand student access to learning activities, academic and
26 behavioral support services, and potential opportunities for the State to invest in proven models
27 for future grants programs.

28 **LIFE CHANGING EXPERIENCES SCHOOL PILOT PROGRAM**

29 **SECTION 7.25.(a)** Of the funds appropriated by this act for the At-Risk Student
30 Services Alternative School Allotment for the 2017-2019 fiscal biennium, the Department of
31 Public Instruction shall use up to three hundred sixty thousand dollars (\$360,000) in
32 nonrecurring funds for the 2017-2018 fiscal year and up to three hundred sixty thousand dollars
33 (\$360,000) in nonrecurring funds for the 2018-2019 fiscal year to contract with the Children
34 and Parent Resource Group, Inc., to design, implement, and evaluate a two-year Life Changing
35 Experiences School Pilot Program (Project), beginning with the 2017-2018 school year and
36 ending with the 2018-2019 school year. The Project shall be operated and administered for
37 students in grades six through 11 in the following local school administrative units: Mitchell
38 County Schools, Pitt County Schools, Wayne County Schools, and Winston-Salem/Forsyth
39 County Schools. These contract funds shall not be used for any purpose other than to
40 implement the Project in the local school administrative units, which consists of traveling
41 three-dimensional, interactive, holistic, and evidence-based multimedia education in-school
42 programs. The Project includes theme-specific programs screened as school assemblies and
43 additional follow-up applications that address dangerous life and community threatening
44 activities that negatively impact teenagers, including alcohol and other drugs, dangerous
45 driving, violence, and bullying. The goal of these programs is to increase positive intentions
46 and behavioral outcomes by teaching students the techniques and skills that empower them to
47 reach meaningful life goals, employ positive behaviors, and start businesses and social
48 enterprises.
49

50 **SECTION 7.25.(b)** The Children and Parent Resource Group, Inc., in consultation
51 with the Department of Public Instruction, shall submit an initial report on the Project

1 authorized by subsection (a) of this section by March 1, 2018, and a final report by March 1,
2 2019, to the Joint Legislative Education Oversight Committee and the Fiscal Research
3 Division. The report shall include an accounting of expenditures and student outcome data
4 related to the operation of the Project.

6 SCHOOL PERFORMANCE GRADES/ESSA COMPLIANCE

7 SECTION 7.26.(a) G.S. 115C-12(9)c1. reads as rewritten:

8 "c1. To issue an annual "report card" for the State and for each local
9 school administrative unit, assessing each unit's efforts to improve
10 student performance based on the growth in performance of the
11 students in each school and taking into account progress over the
12 previous years' level of performance and the State's performance in
13 comparison with other states. This assessment shall take into account
14 factors that have been shown to affect student performance and that
15 the State Board considers relevant to assess the State's efforts to
16 improve student performance. ~~As a part of the~~The annual "report
17 card" for each local school administrative unit, unit shall include the
18 following:

- 19 1. ~~the~~The State Board shall award, in accordance with
20 G.S. 115C-83.15, an overall numerical school achievement,
21 growth, and performance score on a scale of zero to 100 and a
22 corresponding performance letter grade of A, B, C, D, or F
23 earned by each school within the local school administrative
24 unit. The school performance score and grade shall reflect
25 student performance on annual subject-specific assessments,
26 college and workplace readiness measures, ~~and~~ graduation
27 ~~rates-rates, promotion rates, and student progress in achieving~~
28 English language proficiency. In addition, the State Board
29 shall award separate performance scores and grades for the
30 following:
 - 31 I. School performance of certain subgroups of students
32 as provided in G.S. 115C-83.15.
 - 33 II. For schools serving students in any grade from
34 kindergarten to eighth grade, ~~separate performance~~
35 ~~scores and grades shall also be awarded based on~~
36 ~~the~~school performance in reading and mathematics
37 respectively.
- 38 2. ~~The annual "report card" for~~For schools serving students in
39 third ~~grade also shall include~~grade, the number and
40 percentage of third grade students who (i) take and pass the
41 alternative assessment of reading comprehension; (ii) were
42 retained in third grade for not demonstrating reading
43 proficiency as indicated in G.S. 115C-83.7(a); and (iii) were
44 exempt from mandatory third grade retention by category of
45 exemption as listed in G.S. 115C-83.7(b).
- 46 3. ~~The annual "report card" for~~For high schools ~~shall also~~
47 ~~include~~schools, measures of Advanced Placement course
48 participation and International Baccalaureate Diploma
49 Programme participation and Advanced Placement and
50 International Baccalaureate examination participation and
51 performance."

1 **SECTION 7.26.(b)** G.S. 115C-47(58) reads as rewritten:

2 "(58) To Inform the Public About the North Carolina School Report Cards Issued
3 by the State Board of Education. – Each local board of education shall
4 ensure that the report card issued for it by the State Board of Education
5 receives wide distribution to the local press or is otherwise provided to the
6 public. Each local board of education shall ensure that the overall school
7 performance score and grade earned by each school in the local school
8 administrative unit for the current and previous four school years is
9 prominently displayed on the Web site of the local school administrative
10 unit. If any school in the local school administrative unit is awarded an
11 overall school performance grade of D or F, the local board of education
12 shall provide notice of the grade in writing to the parent or guardian of all
13 students enrolled in that school."

14 **SECTION 7.26.(c)** G.S. 115C-83.15 reads as rewritten:

15 "**§ 115C-83.15. School achievement, growth, performance scores, and grades.**

16 (a) School Scores and Grades. – The State Board of Education shall award school
17 achievement, growth, and performance scores and an associated performance grade as required
18 by G.S. 115C-12(9)c1., and calculated as provided in this section. The State Board of
19 Education shall enter all necessary data into the Education Value-Added Assessment System
20 (EVAAS) in order to calculate school performance scores and grades.

21 (b) Calculation of the School Achievement ~~Score~~Score as a Measure of Academic
22 Achievement. – In calculating the overall school achievement score earned by ~~schools~~schools
23 as a measure of academic achievement, the State Board of Education shall total the sum of
24 points earned by a school as follows:

25 (1) For schools serving any students in kindergarten through eighth grade, the
26 State Board shall assign points on all of the following indicators that are
27 measured for that school:

28 ~~(1)~~a. One point for each percent of students who score at or above
29 proficient on annual assessments for mathematics in grades three
30 through eight.

31 ~~(2)~~b. One point for each percent of students who score at or above
32 proficient on annual assessments for reading in grades three through
33 eight.

34 ~~(3)~~c. One point for each percent of students who score at or above
35 proficient on annual assessments for science in grades five and eight.

36 d. One point for each percent of students who progress in achieving
37 English language proficiency on annual assessments in grades three
38 through eight.

39 e. One point for each percent of students who are promoted from the
40 third grade to the fourth grade within four years of a student entering
41 kindergarten.

42 f. One point for each percent of students who are promoted from the
43 eighth grade to the ninth grade within three years of a student
44 entering sixth grade.

45 (2) For schools serving any students in ninth through 12th grade, the State
46 Board shall assign points on all of the following indicators that are measured
47 for that school:

48 ~~(4)~~a. One point for each percent of students who score at or above
49 proficient on the Algebra I or Integrated Math I end-of-course test.

50 ~~(5)~~b. One point for each percent of students who score at or above
51 proficient on the English II end-of-course test.

- 1 (6)c. One point for each percent of students who score at or above
2 proficient on the Biology end-of-course test.
- 3 (7)d. One point for each percent of students who complete Algebra II or
4 Integrated Math III with a passing grade.
- 5 (8)e. One point for each percent of students who achieve the minimum
6 score required for admission into a constituent institution of The
7 University of North Carolina on a nationally normed test of college
8 readiness.
- 9 (9)f. One point for each percent of students enrolled in Career and
10 Technical Education courses who meet the standard when scoring at
11 Silver, Gold, or Platinum levels on a nationally normed test of
12 workplace readiness.
- 13 (10)g. One point for each percent of students who graduate within four
14 years of entering high school.
- 15 h. One point for each percent of students who progress in achieving
16 English language proficiency.

17 In calculating the overall school achievement score earned by schools, the State Board of
18 Education shall (i) use a composite approach to weigh the achievement elements based on the
19 number of students measured by any given achievement element and (ii) proportionally adjust
20 the scale to account for the absence of a school achievement element for award of scores to a
21 school that does not have a measure of one of the school achievement elements annually
22 assessed for the grades taught at that school. The overall school achievement score shall be
23 translated to a 100-point scale and used for school reporting purposes as provided in
24 G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and 116-239.8.

25 (c) Calculation of the School Growth Score as a Measure of School Quality and
26 Student Success. – Using EVAAS, the State Board shall calculate the overall growth score
27 earned by ~~schools~~ schools as a measure of school quality and student success. In calculating the
28 total growth score earned by schools, the State Board of Education shall weight student growth
29 on the achievement indicators as provided in subsection (b) of this section that have available
30 growth values. The numerical values used to determine whether a school has met, exceeded, or
31 has not met expected growth shall be translated to a 100-point scale and used for school
32 reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and
33 116-239.8.

34 (d) Calculation of the Overall School Performance Scores and Grades. – The State
35 Board of Education shall use EVAAS to calculate the overall school performance score by
36 adding the school achievement score, as provided in subsection (b) of this section, and the
37 school growth score, as provided in subsection (c) of this section, earned by a school. The
38 school achievement score shall account for eighty percent (80%), and the school growth score
39 shall account for twenty percent (20%) of the total sum. ~~If a school has met expected growth~~
40 ~~and inclusion of the school's growth score reduces the school's performance score and grade,~~
41 ~~a school may choose to use the school achievement score solely to calculate the performance~~
42 ~~score and grade.~~ For all schools, the total school performance score shall be converted to a
43 100-point scale and used to determine a an overall school performance grade based on the
44 following scale:

- 45 (1) A school performance score of at least 90 is equivalent to an overall school
46 performance grade of A.
- 47 (2) A school performance score of at least 80 is equivalent to an overall school
48 performance grade of B.
- 49 (3) A school performance score of at least 70 is equivalent to an overall school
50 performance grade of C.

- 1 (4) A school performance score of at least 60 is equivalent to an overall school
2 performance grade of D.
3 (5) A school performance score of less than 60 points is equivalent to an overall
4 school performance grade of F.

5 (d1) Calculation of the School Performance Scores and Grades for Certain Subgroups of
6 Students Served by a School. – In addition to the overall school performance scores and grades
7 awarded under this section, for each school that serves a minimum number of students in a
8 subgroup of students listed in this subsection, the State Board of Education shall use EVAAS to
9 calculate school performance scores and shall determine a corresponding school performance
10 grade for each subgroup using the same method as set forth in subsection (d) of this section.
11 School performance scores for subgroups of students shall not be included in the calculation of
12 the overall school performance scores and grades under subsection (d) of this section.

13 The State Board shall establish the minimum number of students in a subgroup served by a
14 school that is necessary to disaggregate information on student performance and to determine a
15 school performance grade for that subgroup. The school performance scores and grades shall be
16 reported separately on the annual school report card provided under G.S. 115C-12(9)c1.,
17 115C-218.65, 115C-238.66, and 116-239.8 for the following subgroups of students:

- 18 (1) Economically disadvantaged students.
19 (2) Students from major racial and ethnic groups.
20 (3) Children with disabilities.
21 (4) English learners.

22 (e) Elementary and Middle School Reading and Math Achievement Scores. – For
23 schools serving students in kindergarten through eighth grade, the school achievement scores in
24 reading and mathematics, respectively, shall be reported separately on the annual school report
25 card provided under G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and 116-239.8.

26 (f) Indication of Growth. – In addition to awarding the overall school scores for
27 achievement, growth, and performance and the performance grade, using EVAAS, the State
28 Board shall designate that a school has met, exceeded, or has not met expected growth. The
29 designation of student growth shall be clearly displayed in the annual school report card
30 provided under G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and 116-239.8.

31 (g) Access to Annual Report Card Information on the Department's Web Site. –
32 Beginning with data collected in the 2017-2018 school year, the State Board of Education shall
33 provide user-friendly access to the public on the annual report cards issued for local school
34 administrative units and individual schools pursuant to G.S. 115C-12(9)c1. through the
35 Department of Public Instruction's Web site. The information provided for the annual report
36 card shall be designed and organized to provide at least the following:

- 37 (1) A summary for each local school administrative unit and for each individual
38 school of the school performance grades, whether the school has met,
39 exceeded, or has not met expected growth, and any other information
40 required to be provided as part of the annual report card.
41 (2) The percentage of schools receiving an overall school performance letter
42 grade of A, B, C, D, or F earned by each school located within a local school
43 administrative unit and statewide.
44 (3) The number of schools that have met, exceeded, or have not met expected
45 growth by each school located within a local school administrative unit and
46 statewide.
47 (4) A Web page for each individual school that prominently displays the
48 school's performance grades, whether the school has met, exceeded, or has
49 not met expected growth, and the school's performance and growth scores in
50 a way that is easy for the user to read.

- 1 (5) The ability to easily compare annual report card information, including
2 school performance grades and whether schools have met, exceeded, or have
3 not met expected growth, for local school administrative units and for
4 individual schools for a time span of at least three years."

5 **SECTION 7.26.(d)** Part 1B of Article 8 of Chapter 115C of the General Statutes is
6 amended by adding a new section to read:

7 **"§ 115C-83.16. School performance indicators for the purpose of compliance with federal**
8 **law.**

9 The State Board of Education shall use the school performance scores and grades as
10 calculated under G.S. 115C-83.15 to satisfy the federal requirement under the Elementary and
11 Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, P.L.
12 114-95, to meaningfully differentiate the performance of schools on an annual basis. For the
13 purpose of compliance with federal law, the indicators shall be defined as follows:

- 14 (1) For schools serving any students in kindergarten through eighth grade, the
15 State Board shall define the indicators as follows:

16 a. Measures of Academic Achievement. –

- 17 1. The academic achievement indicator shall include the
18 following measures:

19 I. Proficiency on annual assessments for mathematics in
20 grades three through eight.

21 II. Proficiency on annual assessments for reading in
22 grades three through eight.

- 23 2. The other academic indicator shall include the following
24 measures:

25 I. Proficiency on annual assessments for science in
26 grade five.

27 II. Proficiency on annual assessments for science in
28 grade eight.

29 III. The rate of promotion from the third grade to the
30 fourth grade within four years of a student entering
31 kindergarten.

32 IV. The rate of promotion from the eighth grade to the
33 ninth grade within three years of a student entering
34 sixth grade.

- 35 3. The English language proficiency indicator shall be the
36 percentage of students who progress in achieving English
37 language proficiency on annual assessments in grades three
38 through eight.

39 b. The measure of school quality and student success shall be the
40 growth score earned by schools.

- 41 (2) For schools serving any students in ninth through 12th grade, the State
42 Board shall define the indicators as follows:

43 a. Measures of Academic Achievement. –

- 44 1. The academic achievement indicator shall include the
45 following measures:

46 a. Proficiency on the Algebra I or Integrated Math I
47 end-of-course test.

48 b. Proficiency on the English II end-of-course test.

- 49 2. The other academic indicator shall include the following
50 measures:

51 a. Proficiency on the Biology end-of-course test.

- 1 b. The percentage of students who achieve the minimum
- 2 score required for admission into a constituent
- 3 institution of The University of North Carolina on a
- 4 nationally normed test of college readiness.
- 5 c. The percentage of students enrolled in Career and
- 6 Technical Education courses who meet the standard
- 7 when scoring at Silver, Gold, or Platinum levels on a
- 8 nationally normed test of workplace readiness.
- 9 3. The graduation rate indicator shall be the percentage of
- 10 students who graduate within four years of entering high
- 11 school.
- 12 4. The English language proficiency indicator shall be the
- 13 percentage of students who progress in achieving English
- 14 language proficiency.
- 15 b. The measure of school quality and student success shall be the
- 16 growth score earned by schools."

SECTION 7.26.(e) G.S. 115C-75.5(5) reads as rewritten:

"(5) Qualifying school. – A low-performing school, as defined in G.S. 115C-105.37, that meets one of the following criteria:

- a. The school received ~~an~~ overall school performance score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:
 1. The school includes all or part of grades kindergarten through fifth.
 2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.
 3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year."

SECTION 7.26.(f) 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 identify low-performing schools on an annual basis. Low-performing schools are those that receive ~~an~~ overall 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.

...

(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 within 30 days of the identification that includes the following information:

- (1) A statement that the State Board of Education has found that the school has "received ~~an~~ overall 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) The school performance grade and growth score received.
- (3) Information about the preliminary plan developed under subsection (a1) of this section and the availability of the final plan on the local school administrative unit's Web site.

- 1 (4) The meeting date for when the preliminary plan will be considered by the
2 local board of education.
3 (5) A description of any additional steps the school is taking to improve student
4 performance."

5 **SECTION 7.26.(g)** G.S. 115C-105.39A reads as rewritten:

6 **"§ 115C-105.39A. Identification of low-performing local school administrative units.**

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

13 ...

14 (c) Parental Notice of Low-Performing Local School Administrative Unit Status. –
15 Each local school administrative unit that the State Board identifies as low-performing shall
16 provide written notification to the parents and guardians of all students attending any school in
17 the local school administrative unit within 30 days of the identification that includes the
18 following information:

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

43 **SECTION 7.26.(h)** G.S. 115C-218.65 reads as rewritten:

44 **"§ 115C-218.65. North Carolina School Report Cards.**

45 A charter school shall ensure that the report card issued for it by the State Board of
46 Education receives wide distribution to the local press or is otherwise provided to the public. A
47 charter school shall ensure that the overall school performance score and grade earned by the
48 charter school for the current and previous four school years is prominently displayed on the
49 school Web site. If a charter school is awarded an overall school performance grade of D or F,
50 the charter school shall provide notice of the grade in writing to the parent or guardian of all
51 students enrolled in that school."

1 **SECTION 7.26.(i)** G.S. 115C-218.94(a) reads as rewritten:

2 "(a) Identification of Low-Performing Charter Schools. – The State Board of Education
3 shall identify low-performing charter schools on an annual basis. Low-performing charter
4 schools are those that receive ~~aan~~ overall school performance grade of D or F and a school
5 growth score of "met expected growth" or "not met expected growth" as defined by
6 G.S. 115C-83.15."

7 **SECTION 7.26.(j)** G.S. 115C-238.66(11) reads as rewritten:

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

17 **SECTION 7.26.(k)** G.S. 116-239.8(14) reads as rewritten:

18 "(14) North Carolina school report cards. – A lab school shall ensure that the
19 report card issued for it by the State Board of Education receives wide
20 distribution to the local press or is otherwise provided to the public. A lab
21 school shall ensure that the overall school performance score and grade
22 earned by the lab school for the current and previous four school years is
23 prominently displayed on the school Web site. If a lab school is awarded ~~aan~~
24 overall school performance grade of D or F, the lab school shall provide
25 notice of the grade in writing to the parent or guardian of all students
26 enrolled in that school."

27 **SECTION 7.26.(l)** This section applies beginning with the 2017-2018 school year.

28 29 **READ TO ACHIEVE DIAGNOSTIC CHANGES**

30 **SECTION 7.27.(a)** G.S. 115C-83.6 reads as rewritten:

31 "**§ 115C-83.6. Facilitating early grade reading proficiency.**

32 (a) Kindergarten, first, second, and third grade students shall be assessed with valid,
33 reliable, formative, and diagnostic reading assessments made available to local school
34 administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a).
35 Difficulty with reading development identified through administration of formative and
36 diagnostic assessments shall be addressed with instructional supports and services. Parents or
37 guardians of first and second grade students demonstrating reading comprehension below grade
38 level as identified through assessments administered pursuant to this subsection shall be
39 encouraged to enroll their student in a reading camp provided by the local school administrative
40 unit. Parents or guardians of a student identified as demonstrating reading comprehension
41 below grade level shall make the final decision regarding a student's reading camp attendance.

42 (a1) ~~To the greatest extent possible, kindergarten–Kindergarten~~ through third grade
43 reading assessments shall yield data that can be used with the Education Value-Added
44 Assessment System (EVAAS), ~~or a compatible and comparable system approved by the State~~
45 ~~Board of Education,~~ (EVAAS) to analyze student data to identify root causes for difficulty with
46 reading development and to determine actions to address them.

47 "

48 **SECTION 7.27.(b)** G.S. 115C-174.11 reads as rewritten:

49 "**§ 115C-174.11. Components of the testing program.**

50 (a) Assessment Instruments for Kindergarten, First, Second, and Third Grades. – The
51 State Board of Education shall develop, adopt, and provide to the local school administrative

1 units developmentally appropriate individualized assessment instruments consistent with the
2 Basic Education Program and Part 1A of Article 8 of this Chapter for the kindergarten, first,
3 second, and third grades. The State Board shall provide one or more valid, reliable, formative,
4 and diagnostic reading assessment instruments for selection by local school administrative
5 units, in accordance with the following:

6 (1) The Department of Public Instruction, under the direction of the State
7 Superintendent of Public Instruction, shall evaluate and certify any vendor
8 that provides diagnostic reading assessment instruments before the
9 instruments are provided by the State Board for selection by local school
10 administrative units.

11 (2) In order to certify a vendor, the Department shall evaluate the vendor to
12 ensure that the diagnostic reading assessment instruments offered by the
13 vendor meet the following criteria:

14 a. Yield data that can be used with the Education Value-Added
15 Assessment System (EVAAS).

16 b. Demonstrate close alignment with student performance on State
17 assessments, including all assessments required in kindergarten
18 through third grade by Part 2 of Article 10A of Chapter 115C of the
19 General Statutes.

20 c. Demonstrate high rates of predictability as to student performance on
21 State assessments, including all assessments required in kindergarten
22 through third grade by Part 2 of Article 10A of Chapter 115C of the
23 General Statutes.

24 (3) Within 60 days of certifying a new vendor to provide reading assessment
25 instruments pursuant to this subsection, the Department of Public Instruction
26 shall provide written notice of the certification to the General Assembly in
27 accordance with G.S. 120-29.5 and to the Joint Legislative Education
28 Oversight Committee.

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

37"

38 **SECTION 7.27.(c)** This section applies beginning with the 2018-2019 school year.

40 **REIMBURSE INITIAL TEACHER LICENSURE FEE FOR CERTAIN NC TEACHING** 41 **GRADUATES**

42 **SECTION 7.28.(a)** G.S. 115C-296 is amended by adding a new subsection to read:

43 "(a4) Notwithstanding subsection (a2) of this section, the State Board of Education shall
44 reimburse the initial teacher licensure application fee for the first time an applicant submits an
45 application for teacher licensure, if the applicant meets all of the following requirements:

46 (1) The applicant is a graduate of an approved educator preparation program
47 located in North Carolina.

48 (2) The applicant has successfully earned an initial teaching license in North
49 Carolina.

50 The State Board shall issue reimbursement to the applicant within 30 days of the date the
51 applicant successfully earns an initial teaching license in North Carolina."

1 **SECTION 7.28.(b)** This section applies to applications for licensure received on or
2 after July 1, 2017.

3
4 **REVISE TEACHER BONUS PROGRAMS**

5 **SECTION 7.29.(a)** Section 8.8 of S.L. 2016-94 reads as rewritten:

6 **"ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER**
7 **BONUS PILOT PROGRAM**

8 **"SECTION 8.8.(a)** The State Board of Education shall establish the Advanced
9 Placement/International Baccalaureate ~~Pilot Program (pilot program)~~(program) to reward
10 advanced course teacher performance and to encourage student learning and improvement. To
11 attain this goal, the Department of Public Instruction shall administer bonus pay ~~for two school~~
12 ~~years through the end of the 2017-2019 fiscal biennium to licensed teachers of advanced~~
13 ~~courses, courses in public schools, including charter schools, beginning with data from the~~
14 2015-2016 school year, in accordance with the following:

- 15 (1) A bonus in the amount of fifty dollars (\$50.00) for each student taught by an
16 advanced course teacher in each advanced course who receives the following
17 score:
18 a. For Advanced Placement courses, a score of three or higher on the
19 College Board Advanced Placement Examination.
20 b. For International Baccalaureate Diploma Programme courses, a score
21 of four or higher on the International Baccalaureate course
22 examination.
23 (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds
24 two thousand dollars (\$2,000) in any given school year. The bonus awarded
25 to a teacher pursuant to this subsection shall be in addition to any regular
26 wage or other bonus the teacher receives or is scheduled to receive.
27 (3) ~~For advanced course scores collected from the 2015-2016 school year and~~
28 ~~the 2016-2017 school year, bonuses~~ Bonuses awarded pursuant to this
29 subsection are payable in ~~January 2017 and January 2018,~~
30 ~~respectively,~~ January, based on data from the previous school year,
31 to qualifying advanced course teachers who remain employed teaching
32 advanced courses in the same local school administrative unit school at least
33 from the school year the data is collected until the corresponding school year
34 that the bonus is paid.

35 **"SECTION 8.8.(b)** For the purposes of this section, an "advanced course" shall mean an
36 Advanced Placement or International Baccalaureate Diploma Programme course.

37 **"SECTION 8.8.(c)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
38 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,
39 the Teachers' and State Employees' Retirement System.

40 **"SECTION 8.8.(d)** The State Board of Education shall ~~report on and study the pilot~~
41 ~~program as follows:~~

- 42 (1) The State Board shall study the effect of the program on advanced course
43 teacher performance and retention. The State Board shall report the results of
44 its findings and report on the amount of bonuses awarded to advanced course
45 teachers, including the amount awarded for Advanced Placement courses
46 and the amount awarded for International Baccalaureate Diploma
47 Programme courses, to the President Pro Tempore of the Senate, the Speaker
48 of the House of Representatives, the Joint Legislative Education Oversight
49 Committee, and the Fiscal Research Division by March 15, 2017, and again
50 by March 15, 2018. 15 of each year bonuses are awarded.

- 1 (2) ~~The State Board shall study the effect of the pilot program on advanced~~
2 ~~course teacher performance and retention. The State Board shall report the~~
3 ~~results of its findings to the President Pro Tempore of the Senate, the~~
4 ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~
5 ~~the Joint Legislative Education Oversight Committee by March 15, 2018.~~

6 **"SECTION 8.8.(e)** For the 2017-2018 fiscal year only, the Director of the Budget shall
7 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
8 nonrecurring funds needed to support the ~~pilot~~ program.

9 ~~"SECTION 8.8.(f) This section expires June 30, 2018."~~

10 **SECTION 7.29.(b)** Section 8.9 of S.L. 2016-94 reads as rewritten:

11 **"INDUSTRY CERTIFICATIONS AND CREDENTIALS TEACHER BONUS PILOT**
12 **PROGRAM**

13 **"SECTION 8.9.(a)** The State Board of Education, in collaboration with the Department of
14 Commerce, shall establish the Industry Certifications and Credentials Teacher Bonus ~~Pilot~~
15 Program (~~pilot program~~)(program) to reward the performance of teachers in public schools,
16 including charter schools, who teach students earning approved industry certifications or
17 credentials consistent with G.S. 115C-156.2 and to encourage student learning and
18 improvement. To attain this goal, the Department of Public Instruction shall administer bonus
19 pay through the end of the 2017-2019 fiscal biennium~~for two school years~~ to teachers in public
20 schools, including charter schools, who teach students earning approved industry certifications
21 or credentials, beginning with data from the 2015-2016 school year, in accordance with the
22 following:

- 23 (1) For teachers who provide direct instruction to students, bonuses shall be
24 provided in the following amounts:
25 a. A bonus in the amount of twenty-five dollars (\$25.00) for each
26 student taught by a teacher who provided instruction in a course that
27 led to the attainment of an industry certification or credential with a
28 twenty-five-dollar (\$25.00) value ranking as determined under
29 subdivision (3) of this subsection.
30 b. A bonus in the amount of fifty dollars (\$50.00) for each student
31 taught by a teacher who provided instruction in a course that led to
32 the attainment of an industry certification or credential with a
33 fifty-dollar (\$50.00) value ranking as determined under subdivision
34 (3) of this subsection.
35 (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds
36 two thousand dollars (\$2,000) in any given school year. The bonus awarded
37 to a teacher pursuant to this subsection shall be in addition to any regular
38 wage or other bonus the teacher receives or is scheduled to receive.
39 (3) The Department of Commerce, in consultation with the State Board, shall
40 assign a value ranking for each industry certification and credential based on
41 academic rigor and employment value in accordance with this subdivision.
42 Fifty percent (50%) of the ranking shall be based on academic rigor and the
43 remaining fifty percent (50%) on employment value. Academic rigor and
44 employment value shall be based on the following elements:
45 a. Academic rigor shall be based on the number of instructional hours,
46 including work experience or internship hours, required to earn the
47 industry certification or credential, with extra weight given for
48 coursework that also provides community college credit.
49 b. Employment value shall be based on the entry wage, growth rate in
50 employment for each occupational category, and average annual

1 openings for the primary occupation linked with the industry
2 certification or credential.

- 3 (4) ~~For data on courses leading to student attainment of industry certifications~~
4 ~~and credentials collected from the 2015-2016 school year and the 2016-2017~~
5 ~~school year, bonuses~~ Bonuses awarded pursuant to this subsection are
6 payable in January ~~2017 and January 2018, respectively,~~ to qualifying
7 teachers who remain employed teaching ~~students earning approved industry~~
8 ~~certifications or credentials~~ in the same local school administrative unit
9 school at least from the school year the data is collected until the
10 corresponding school year that the bonus is paid.

11 **"SECTION 8.9.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
12 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,
13 the Teachers' and State Employees' Retirement System.

14 **"SECTION 8.9.(c)** The State Board of Education shall ~~report on and study the pilot~~
15 ~~program as follows:~~

- 16 (1) ~~The State Board shall study the effect of the program on teacher~~
17 ~~performance and retention. The State Board shall report the results of its~~
18 ~~findings, on the amount of bonuses awarded to teachers who teach students~~
19 ~~earning approved industry certifications or eredentials~~ credentials, and the
20 type of industry certifications and credentials earned by their students to the
21 President Pro Tempore of the Senate, the Speaker of the House of
22 Representatives, the Joint Legislative Education Oversight Committee, and
23 the Fiscal Research Division by March ~~15, 2017, and again by March 15,~~
24 ~~2018.~~ 15 of each year bonuses are awarded.

- 25 (2) ~~The State Board shall study the effect of the pilot program on teacher~~
26 ~~performance and retention. The State Board shall report the results of its~~
27 ~~findings to the President Pro Tempore of the Senate, the Speaker of the~~
28 ~~House of Representatives, the Fiscal Research Division, and the Joint~~
29 ~~Legislative Education Oversight Committee by March 15, 2018.~~

30 **"SECTION 8.9.(d)** For the 2017-2018 fiscal year only, the Director of the Budget shall
31 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
32 nonrecurring funds needed to support the ~~pilot~~ program.

33 ~~"SECTION 8.9.(e) This section expires June 30, 2018."~~

34 **SECTION 7.29.(c)** Section 9.7 of S.L. 2016-94 reads as rewritten:

35 **"THIRD GRADE READING TEACHER PERFORMANCE PILOT PROGRAM**

36 **"SECTION 9.7.(a)** The State Board of Education shall establish the Third Grade Reading
37 Teacher Performance Pilot Program (program) to reward teacher performance and encourage
38 student learning and improvement. To attain this goal, the Department of Public Instruction
39 shall administer bonus pay to ~~licensed third grade~~ teachers who have an Education
40 Value-Added Assessment System (EVAAS) student growth index score for third grade reading
41 from the previous school year, beginning with the data from the 2015-2016 school year, as
42 follows:

- 43 (1) Of the funds appropriated for ~~this~~ the program, five million dollars
44 (\$5,000,000) shall be allocated for bonuses to ~~licensed third grade~~ teachers
45 who are in the top twenty-five percent (25%) of teachers in the State
46 according to the EVAAS student growth index score for third grade reading
47 from the previous year. These funds shall be allocated equally among
48 qualifying teachers.
- 49 (2) Of the funds appropriated for ~~this~~ the program, five million dollars
50 (\$5,000,000) shall be allocated to pay bonuses to ~~licensed third grade~~
51 teachers who are in the top twenty-five percent (25%) of teachers in their

1 respective local school administrative units according to the EVAAS student
2 growth index score for third grade reading from the previous year. These
3 funds shall be split proportionally based on average daily membership for
4 each local school administrative unit and then distributed equally among
5 qualifying teachers in each local school administrative unit, subject to the
6 following conditions:

- 7 a. Teachers employed in charter schools and regional schools are not
8 eligible to receive a bonus under this subdivision.
9 b. Any teacher working in a local school administrative unit that
10 employs three or fewer third grade teachers shall receive a bonus
11 under this subdivision if that teacher has an EVAAS student growth
12 index score for third grade reading from the previous school year that
13 exceeds expected growth.

- 14 (3) For EVAAS student growth index score data collected during the 2015-2016
15 school year and the 2016-2017 school year, bonuses awarded pursuant to
16 subdivisions (1) and (2) of this subsection are payable in January of 2017
17 and January of 2018, respectively, to qualifying ~~third grade~~ teachers who
18 remain employed teaching ~~third grade~~ in the same ~~local school~~
19 ~~administrative unit school~~ at least from the school year the data is collected
20 until the corresponding school year that the bonus is paid.

- 21 (4) A teacher who is eligible to receive a bonus under both subdivisions (1) and
22 (2) of this subsection shall receive both bonuses. The bonus or bonuses
23 awarded to a teacher pursuant to this subsection shall be in addition to any
24 regular wage or other bonus the teacher receives or is scheduled to receive.

25 **"SECTION 9.7.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
26 by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the
27 Teachers' and State Employees' Retirement System.

28 **"SECTION 9.7.(c)** The State Board of Education shall ~~report on and study the Third~~
29 ~~Grade Reading Teacher Performance Pilot Program (Program) as follows:~~

- 30 (1) ~~The State Board of Education shall study the effect of the program on teacher~~
31 ~~performance and retention. The State Board shall report the results of its~~
32 ~~findings, report on~~ the distribution of statewide bonuses as among local
33 school administrative ~~units~~ units, and the distribution of bonuses within local
34 school administrative units as among individual schools to the President Pro
35 Tempore of the Senate, the Speaker of the House of Representatives, the
36 Joint Legislative Education Oversight Committee, and the Fiscal Research
37 Division on March 1, 2017, ~~and again on March 1, 2018.~~ 15 of each year
38 bonuses are awarded.

- 39 (2) ~~The State Board of Education shall study the effect of the Program on~~
40 ~~teacher performance and retention. The State Board of Education shall report~~
41 ~~the results of its findings to the President Pro Tempore of the Senate, the~~
42 ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~
43 ~~the Joint Legislative Education Oversight Committee no later than March 1,~~
44 ~~2018.~~

45 **"SECTION 9.7.(d)** For the 2017-2018 fiscal year only, the Director of the Budget shall
46 also include in the Base Budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
47 nonrecurring funds needed to support the ~~Program~~ program.

48 **"SECTION 9.7.(e)** This section expires June 30, 2018."

49 **SECTION 7.29.(d)** In addition to the bonuses payable in January 2018 pursuant to
50 Sections 8.8(a), 8.9(a), 9.7(a)(1), and 9.7(a)(2) of S.L. 2016-94, as amended by this section, the

1 Department of Public Instruction shall make payable no later than October 31, 2017, bonuses
2 earned by qualifying teachers pursuant to data from the 2015-2016 school year, as follows:

- 3 (1) Bonuses earned pursuant to Section 8.8 or 8.9 of S.L. 2016-94, as amended
4 by this section, that were not paid in January of 2017 because the teacher
5 taught in a charter school.
- 6 (2) Bonuses earned pursuant to Section 8.8, 8.9, 9.7(a)(1), or 9.7(a)(2) of S.L.
7 2016-94, as amended by this section, that were not paid in January of 2017
8 because the teacher did not continue teaching the same subject or grade
9 level.

10 **SECTION 7.29.(e)** Notwithstanding subsections (a), (b), and (c) of this section, the
11 following limitations shall apply to this section:

- 12 (1) Every teacher who received a bonus pursuant to Section 8.8, 8.9, or 9.7 of
13 S.L. 2016-94 in January of 2017 shall keep his or her bonus.
- 14 (2) Any teacher who would receive a bonus in January of 2018 pursuant to
15 unamended Section 8.8, 8.9, or 9.7 of S.L. 2016-94 shall receive that bonus.
16

17 SCHOOL BOARDS CAN'T SUE COUNTIES

18 **SECTION 7.30.(a)** G.S. 115C-431 reads as rewritten:

19 **"§ 115C-431. Procedure for resolution of dispute between board of education and board
20 of county commissioners.**

21 (a) If the board of education determines that the amount of money appropriated to the
22 local current expense fund, or the capital outlay fund, or both, by the board of county
23 commissioners is not sufficient to support a system of free public schools, the chairman of the
24 board of education and the chairman of the board of county commissioners shall arrange a joint
25 meeting of the two boards to be held within seven days after the day of the county
26 commissioners' decision on the school appropriations.

27 Prior to the joint meeting, the Senior Resident Superior Court Judge shall appoint a
28 mediator unless the boards agree to jointly select a mediator. The mediator shall preside at the
29 joint meeting and shall act as a neutral facilitator of disclosures of factual information,
30 statements of positions and contentions, and efforts to negotiate an agreement settling the
31 boards' differences.

32 At the joint meeting, the entire school budget shall be considered carefully and judiciously,
33 and the two boards shall make a good-faith attempt to resolve the differences that have arisen
34 between them.

35 (b) If no agreement is reached at the joint meeting of the two boards, ~~the mediator shall,
36 at the request of either board, commence a mediation immediately or within a reasonable
37 period of time. The mediation shall be held in accordance with rules and standards of conduct
38 adopted under Chapter 7A of the General Statutes governing mediated settlement conferences
39 but modified as appropriate and suitable to the resolution of the particular issues in
40 disagreement.~~ the decision of the county commissioners is final. The local board of education
41 shall not file any legal action challenging the sufficiency of the funds appropriated by the board
42 of county commissioners to the local current expense fund, the capital outlay fund, or both.

43 ~~Unless otherwise agreed upon by both boards, the following individuals shall constitute the
44 two working groups empowered to represent their respective boards during the mediation:~~

- 45 (1) ~~The chair of each board or the chair's designee;~~
- 46 (2) ~~The superintendent of the local school administrative unit and the county
47 manager or either's designee;~~
- 48 (3) ~~The finance officer of each board; and~~
- 49 (4) ~~The attorney for each board.~~

50 ~~Members of both boards, their chairs, and representatives shall cooperate with and respond
51 to all reasonable requests of the mediator to participate in the mediation. Notwithstanding~~

1 Article 33C of Chapter 143 of the General Statutes, the mediation proceedings involving the
2 two working groups shall be conducted in private. Evidence of statements made and conduct
3 occurring in a mediation are not subject to discovery and are inadmissible in any court action.
4 However, no evidence otherwise discoverable is inadmissible merely because it is presented or
5 discussed in a mediation. The mediator shall not be compelled to testify or produce evidence
6 concerning statements made and conduct occurring in a mediation in any civil proceeding for
7 any purpose, except disciplinary hearings before the State Bar or any agency established to
8 enforce standards of conduct for mediators. Reports by members of either working group to
9 their respective boards shall be made in compliance with Article 33C of Chapter 143 of the
10 General Statutes.

11 Unless both boards agree otherwise, or unless the boards have already resolved their
12 dispute, the mediation shall end no later than August 1. The mediator shall have the authority to
13 determine that an impasse exists and to discontinue the mediation. The mediation may continue
14 beyond August 1 provided both boards agree. If both boards agree to continue the mediation
15 beyond August 1, the board of county commissioners shall appropriate to the local school
16 administrative unit for deposit in the local current expense fund a sum of money sufficient to
17 equal the local contribution to this fund for the previous year.

18 If the working groups reach a proposed agreement, the terms and conditions must be
19 approved by each board. If no agreement is reached, the mediator shall announce that fact to
20 the chairs of both boards, the Senior Resident Superior Court Judge, and the public. The
21 mediator shall not disclose any other information about the mediation. The mediator shall not
22 make any recommendations or public statement of findings or conclusions.

23 The local board of education and the board of county commissioners shall share equally the
24 mediator's compensation and expenses. The mediator's compensation shall be determined
25 according to rules adopted under Chapter 7A of the General Statutes.

26 (c) Within five days after an announcement of no agreement by the mediator, the local
27 board of education may file an action in the superior court division of the General Court of
28 Justice. Either board has the right to have the issues of fact tried by a jury. When a jury trial is
29 demanded, the cause shall be set for the first succeeding term of the superior court in the
30 county, and shall take precedence over all other business of the court. However, if the judge
31 presiding certifies to the Chief Justice of the Supreme Court, either before or during the term,
32 that because of the accumulation of other business, the public interest will be best served by not
33 trying the cause at the term next succeeding the filing of the action, the Chief Justice shall
34 immediately call a special term of the superior court for the county, to convene as soon as
35 possible, and assign a judge of the superior court or an emergency judge to hold the court, and
36 the cause shall be tried at this special term. The judge shall find, or if the issue is submitted to
37 the jury, the jury shall find the facts as to the following in order to maintain a system of free
38 public schools as defined by State law and State Board of Education policy: (i) the amount of
39 money legally necessary from all sources and (ii) the amount of money legally necessary from
40 the board of county commissioners. In making the finding, the judge or the jury shall consider
41 the educational goals and policies of the State and the local board of education, the budgetary
42 request of the local board of education, the financial resources of the county and the local board
43 of education, and the fiscal policies of the board of county commissioners and the local board
44 of education.

45 All findings of fact in the superior court, whether found by the judge or a jury, shall be
46 conclusive. When the facts have been found, the court shall give judgment ordering the board
47 of county commissioners to appropriate a sum certain to the local school administrative unit,
48 and to levy such taxes on property as may be necessary to make up this sum when added to
49 other revenues available for the purpose.

50 (d) An appeal may be taken to the appellate division of the General Court of Justice,
51 and notice of appeal shall be given in writing within 10 days after entry of the judgment. All

1 papers and records relating to the case shall be considered a part of the record on appeal. The
 2 conclusion of the school or fiscal year shall not be deemed to resolve the question in
 3 controversy between the parties while an appeal is still pending. Any final judgment shall be
 4 legally binding on the parties at the conclusion of the appellate process. The payment of any
 5 final judgment by the county in favor of the local school administrative unit shall not be
 6 considered, or used in any manner, to deny or reduce appropriations to the local school
 7 administrative unit by the county in fiscal years subsequent to the one at issue to offset such
 8 payment of a final judgment.

9 (e) If, in an action filed under this section, the final judgment of the General Court of
 10 Justice is rendered after the due date prescribed by law for property taxes, the board of county
 11 commissioners is authorized to levy such supplementary taxes as may be required by the
 12 judgment, notwithstanding any other provisions of law with respect to the time for doing acts
 13 necessary to a property tax levy. Upon making a supplementary levy under this subsection, the
 14 board of county commissioners shall designate the person who is to compute and prepare the
 15 supplementary tax receipts and records for all such taxes. Upon delivering the supplementary
 16 tax receipts to the tax collector, the board of county commissioners shall proceed as provided in
 17 G.S. 105-321.

18 The due date of supplementary taxes levied under this subsection is the date of the levy, and
 19 the taxes may be paid at par or face amount at any time before the one hundred and twentieth
 20 day after the due date. On or after the one hundred and twentieth day and before the one
 21 hundred and fiftieth day from the due date there shall be added to the taxes interest at the rate
 22 of two percent (2%). On or after the one hundred and fiftieth day from the due date, there shall
 23 be added to the taxes, in addition to the two percent (2%) provided above, interest at the rate of
 24 three-fourths of one percent (3/4 of 1%) per 30 days or fraction thereof until the taxes plus
 25 interest have been paid. No discounts for prepayment of supplementary taxes levied under this
 26 subsection shall be allowed."

27 **SECTION 7.30.(b)** G.S. 115C-432(a) reads as rewritten:

28 "(a) After the board of county commissioners has made its appropriations to the local
 29 school administrative unit, or after the appeal procedure set out in G.S. 115C-431 has been
 30 concluded, the board of education shall adopt a budget resolution making appropriations for the
 31 budget year in such sums as the board may deem sufficient and proper. The budget resolution
 32 shall conform to the uniform budget format established by the State Board of Education."

33 **SECTION 7.30.(c)** This section applies beginning with budget ordinances adopted
 34 on or after the date this act becomes law.
 35

36 **PART VIII. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

37
 38 **TEACHER SALARY SCHEDULE**

39 **SECTION 8.1.(a)** The following monthly teacher salary schedule shall apply for
 40 the 2017-2018 fiscal year to licensed personnel of the public schools who are classified as
 41 teachers. The salary schedule is based on years of teaching experience.

42 **2017-2018 Teacher Monthly Salary Schedule**

43 Years of Experience	"A" Teachers
44 0	\$3,500
45 1	\$3,584
46 2	\$3,635
47 3	\$3,688
48 4	\$3,756
49 5	\$3,823
50 6	\$3,907
51 7	\$3,976

1	8	\$4,043
2	9	\$4,111
3	10	\$4,195
4	11	\$4,280
5	12	\$4,364
6	13	\$4,448
7	14	\$4,532
8	15-19	\$4,693
9	20-24	\$4,871
10	25+	\$5,100.

SECTION 8.1.(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 8.1.(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 the sixth step of the "A" salary schedule. These employees shall receive a salary supplement each month of ten percent (10%) of their monthly salary and are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

SECTION 8.1.(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 8.1.(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 8.1.(f) A teacher compensated in accordance with this salary schedule for the 2017-2018 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 Section 35.11 of S.L. 2013-360.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in

1 Section 35.11 of S.L. 2013-360 based on the teacher's current years
 2 of service.
 3 c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
 4 (3) For teachers who were not eligible for longevity for the 2013-2014 school
 5 year, the sum of the teacher's salary and annual bonus provided in Section
 6 9.1 of S.L. 2014-100.

7 **SECTION 8.1.(g)** As used in this section, the term "teacher" shall also include
 8 instructional support personnel.
 9

10 **SUPPORT HIGHLY QUALIFIED NC TEACHING GRADUATES**

11 **SECTION 8.2.(a)** For purposes of this section, a "highly qualified graduate" is an
 12 individual entering the teaching profession who has graduated from an approved educator
 13 preparation program located in North Carolina (i) with a grade point average of 3.75 or higher
 14 on a 4.0 scale, or its equivalent, and (ii) with a score of 48 or higher on the edTPA assessment
 15 or an equivalent score on the nationally normed and valid pedagogy assessment used to
 16 determine clinical practice performance. Notwithstanding Section 8.1(a) of this act, a highly
 17 qualified graduate shall be paid pursuant to the "A" Teachers salary schedule at the highest
 18 level for which that person qualifies, as follows:

- 19 (1) A highly qualified graduate licensed and employed to teach by a local board
 20 of education who accepts initial employment at a school identified as
 21 low-performing by the State Board of Education pursuant to
 22 G.S. 115C-105.37 shall be paid as though that person has three years of
 23 experience on the "A" Teachers salary schedule during that person's first
 24 four years of employment as a teacher, without a break in service, as long as
 25 that person remains teaching (i) at the same school or (ii) accepts subsequent
 26 employment at another low-performing school or local school administrative
 27 unit identified as low-performing.
- 28 (2) A highly qualified graduate licensed and employed to teach in the areas of
 29 special education, science, technology, engineering, or mathematics shall be
 30 paid as though that person has two years of experience on the "A" Teachers
 31 salary schedule during that person's first three years of employment as a
 32 teacher, without a break in service, as long as that person continues teaching
 33 in one of those areas.
- 34 (3) A highly qualified graduate licensed and employed to teach by a local board
 35 of education shall be paid as though that person has one year of experience
 36 on the "A" Teachers salary schedule during that person's first two years of
 37 employment as a teacher without a break in service.

38 **SECTION 8.2.(b)** This section applies for teachers entering the profession in the
 39 2017-2018 fiscal year.
 40

41 **PRINCIPAL SALARY SCHEDULE**

42 **SECTION 8.3.(a)** The following annual salary schedule for principals shall apply
 43 for the 2017-2018 fiscal year, beginning July 1, 2017.

44 **2017-2018 Principal Annual Salary Schedule**

45 Avg. Daily Membership	Base	Met Growth	Exceeded Growth
46 0-400	\$61,751	\$67,926	\$74,101
47 401-700	\$64,839	\$71,322	\$77,806
48 701-1,000	\$67,926	\$74,719	\$81,511
49 1,001-1,300	\$71,014	\$78,115	\$85,216
50 1,301+	\$74,101	\$81,511	\$88,921.

1 A principal's placement on the salary schedule shall be determined according to the
 2 average daily membership of the school supervised by the principal in the current school year
 3 and the school growth scores, calculated pursuant to G.S. 115C-83.15(c), for each school the
 4 principal supervised for two of the last three school years, regardless of a break in service, and
 5 provided the principal supervised each school as a principal for at least a majority of the school
 6 year, as follows:

- 7 (1) A principal shall be paid at the "Exceeded Growth" level of the schedule if
 8 the school growth scores show the school or schools exceeded expected
 9 growth in at least two of the last three school years.
- 10 (2) A principal shall be paid at the "Met Growth" level of the schedule if either
 11 of the following apply:
 12 a. The school growth scores show the school or schools met expected
 13 growth in at least two of the last three school years.
 14 b. The school growth scores show the school or schools met expected
 15 growth in at least one of the last three school years and exceeded
 16 expected growth in one of the last three school years.
- 17 (3) A principal shall be paid at the "Base" salary level of the schedule if
 18 subdivision (1) or (2) of this subsection is not applicable or if the principal
 19 has not supervised a school as a principal in at least two of the last three
 20 school years.

21 **SECTION 8.3.(b)** Beginning with the 2017-2018 fiscal year, in lieu of providing
 22 annual longevity payments to principals paid on the principal salary schedule, the amounts of
 23 those longevity payments are included in the annual amounts under the principal salary
 24 schedule.

25 **SECTION 8.3.(c)** A principal compensated in accordance with this section for the
 26 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

- 27 (1) The applicable amount determined pursuant to subsection (a) of this section.
- 28 (2) For principals who were eligible for longevity in the 2016-2017 school year,
 29 the sum of the following:
 30 a. The principal's salary as provided in Section 9.2 of S.L. 2016-94.
 31 b. The longevity that the principal would have received as provided for
 32 State employees under the North Carolina Human Resources Act for
 33 the 2016-2017 school year based on the principal's current years of
 34 service.
- 35 (3) For principals who were not eligible for longevity in the 2016-2017 school
 36 year, the principal's salary as provided in Section 9.2 of S.L. 2016-94.

37
 38 **PRINCIPAL BONUSES**

39 **SECTION 8.4.(a)** The Department of Public Instruction shall administer a bonus in
 40 the 2017-2018 fiscal year to any principal who supervised a school as a principal for a majority
 41 of the previous school year if that school was in the top fifty percent (50%) of school growth in
 42 the State during the previous school year, calculated by the State Board pursuant to
 43 G.S. 115C-83.15(c), as follows:

44 **2017-2018 Principal Bonus Schedule**

45 Statewide Growth Percentage	Bonus
46 Top 5%	\$5,000
47 Top 10%	\$4,000
48 Top 15%	\$3,000
49 Top 20%	\$2,000
50 Top 50%	\$1,000.

1 A principal shall receive no more than one bonus pursuant to this subsection. The
2 bonus shall be paid at the highest amount for which the principal qualifies.

3 **SECTION 8.4.(b)** In addition to the bonuses provided pursuant to subsection (a) of
4 this section, the Department shall administer a bonus in the 2017-2018 fiscal year to any
5 principal who supervised the same school as a principal for a majority of the 2015-2016 school
6 year and the 2016-2017 school year if the school was designated by the State Board of
7 Education pursuant to G.S. 115C-83.15(f) as having met expected growth or as having not met
8 expected growth in the 2015-2016 school year and was designated by the State Board as having
9 exceeded expected growth in the 2016-2017 school year. The bonus shall be the greater of the
10 following:

11 (1) Five thousand dollars (\$5,000).

12 (2) Ten thousand dollars (\$10,000) for any principal who supervised a school
13 during the 2015-2016 school year with a school performance grade of D or
14 F, as calculated by the State Board pursuant to G.S. 115C-83.15(d).

15 **SECTION 8.4.(c)** No principal shall receive more than two bonuses pursuant to
16 this section. The bonus or bonuses awarded to a principal pursuant to this section shall be in
17 addition to any regular wage or other bonus the principal receives or is scheduled to receive.

18 **SECTION 8.4.(d)** Notwithstanding G.S. 135-1(7a), the bonuses awarded in
19 accordance with this section are not compensation under Article 1 of Chapter 135 of the
20 General Statutes, the Teachers' and State Employees' Retirement System.

21 **SECTION 8.4.(e)** The bonuses awarded in accordance with this section do not
22 apply to principals no longer employed as a principal due to resignation, dismissal, reduction in
23 force, death, or retirement or whose last workday is prior to July 1, 2017.

24 **SECTION 8.4.(f)** It is the intent of the General Assembly that funds provided to
25 local school administrative units pursuant to this section will supplement principal
26 compensation and not supplant local funds.

27 **SECTION 8.4.(g)** The bonuses related to these funds shall be paid no later than
28 October 31, 2017.

29 **ASSISTANT PRINCIPAL SALARIES**

30 **SECTION 8.5.(a)** For the 2017-2018 fiscal year, commencing July 1, 2017,
31 assistant principals shall receive a monthly salary based on the salary schedule for teachers who
32 are classified as "A" teachers plus an additional thirteen percent (13%). Years of experience for
33 an assistant principal on the salary schedule shall be measured by the total number of years the
34 assistant principal has spent as a teacher, an assistant principal, or both. For purposes of this
35 section, an administrator with a one-year provisional assistant principal's certificate shall be
36 considered equivalent to an assistant principal.

37 **SECTION 8.5.(b)** Assistant principals with certification based on academic
38 preparation at the six-year degree level shall be paid a salary supplement of one hundred
39 twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary
40 supplement of two hundred fifty-three dollars (\$253.00) per month.

41 **SECTION 8.5.(c)** Participants in an approved full-time master's in-school
42 administration program shall receive up to a 10-month stipend at the beginning salary of an
43 assistant principal during the internship period of the master's program. The stipend shall not
44 exceed the difference between the beginning salary of an assistant principal plus the cost of
45 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
46 including awards of the Principal Fellows Program. The Principal Fellows Program or the
47 school of education where the intern participates in a full-time master's in-school administration
48 program shall supply the Department of Public Instruction with certification of eligible
49 full-time interns.
50

1 **SECTION 8.5.(d)** Beginning with the 2017-2018 fiscal year, in lieu of providing
 2 annual longevity payments to assistant principals on the assistant principal salary schedule, the
 3 amounts of those longevity payments are included in the monthly amounts provided to assistant
 4 principals pursuant subsection (a) of this section.

5 **SECTION 8.5.(e)** An assistant principal compensated in accordance with this
 6 section for the 2017-2018 school year shall receive an amount equal to the greater of the
 7 following:

- 8 (1) The applicable amount determined pursuant to subsections (a) through (c) of
 9 this section.
- 10 (2) For assistant principals who were eligible for longevity in the 2016-2017
 11 school year, the sum of the following:
 - 12 a. The assistant principal salary as provided in Section 9.2 of S.L.
 13 2016-94.
 - 14 b. The longevity that the assistant principal would have received as
 15 provided for State employees under the North Carolina Human
 16 Resources Act for the 2016-2017 school year based on the assistant
 17 principal's current years of service.
- 18 (3) For assistant principals who were not eligible for longevity in the 2016-2017
 19 school year, the assistant principal's salary as provided in Section 9.2 of S.L.
 20 2016-94.

21
 22 **CENTRAL OFFICE SALARIES**

23 **SECTION 8.6.(a)** The monthly salary ranges that follow apply to assistant
 24 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
 25 officers for the 2017-2019 fiscal biennium, beginning July 1, 2017:

	Minimum		Maximum
27 School Administrator I	\$3,505	to	\$6,514
28 School Administrator II	\$3,709	to	\$6,907
29 School Administrator III	\$3,931	to	\$7,325
30 School Administrator IV	\$4,084	to	\$7,615
31 School Administrator V	\$4,245	to	\$7,921
32 School Administrator VI	\$4,501	to	\$8,397
33 School Administrator VII	\$4,679	to	\$8,734.

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

39 **SECTION 8.6.(b)** The monthly salary ranges that follow apply to public school
 40 superintendents for the 2017-2019 fiscal biennium, beginning July 1, 2017:

	Minimum		Maximum
42 Superintendent I	\$4,964	to	\$9,263
43 Superintendent II	\$5,268	to	\$9,820
44 Superintendent III	\$5,586	to	\$10,415
45 Superintendent IV	\$5,926	to	\$11,045
46 Superintendent V	\$6,287	to	\$11,716.

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

1 **SECTION 8.6.(c)** Longevity pay for superintendents, assistant superintendents,
2 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
3 provided for State employees under the North Carolina Human Resources Act.

4 **SECTION 8.6.(d)** Superintendents, assistant superintendents, associate
5 superintendents, directors/coordinators, supervisors, and finance officers with certification
6 based on academic preparation at the six-year degree level shall receive a salary supplement of
7 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
8 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
9 directors/coordinators, supervisors, and finance officers with certification based on academic
10 preparation at the doctoral degree level shall receive a salary supplement of two hundred
11 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
12 section.

13 **SECTION 8.6.(e)** The State Board of Education shall not permit local school
14 administrative units to transfer State funds from other funding categories for salaries for public
15 school central office administrators.

16 17 **NONCERTIFIED PERSONNEL SALARIES**

18 **SECTION 8.7.(a)** The annual salary increase for permanent, full-time noncertified
19 public school employees whose salaries are supported from the State's General Fund shall be
20 seven hundred fifty dollars (\$750.00) or one and one-half percent (1.5%), whichever is greater,
21 commencing July 1, 2017.

22 **SECTION 8.7.(b)** Local boards of education shall increase the rates of pay for
23 such employees who were employed for all or part of fiscal year 2016-2017 and who continue
24 their employment for fiscal year 2017-2018 by providing an annual salary increase for
25 employees of seven hundred fifty dollars (\$750.00) or one and one-half percent (1.5%),
26 whichever is greater.

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

29 **SECTION 8.7.(c)** The State Board of Education may adopt salary ranges for
30 noncertified personnel to support increases of seven hundred fifty dollars (\$750.00) or one and
31 one-half percent (1.5%), whichever is greater, for the 2017-2018 fiscal year.

32 33 **SCHOOL BOARDS CREATE MINIMUM SALARY SCHEDULE FOR** 34 **OCCUPATIONAL THERAPISTS AND PHYSICAL THERAPISTS**

35 **SECTION 8.8.** G.S. 115C-316 is amended by adding a new subsection to read:

36 "(b1) Every local board of education shall adopt a minimum salary schedule for
37 occupational therapists and physical therapists employed in full-time, permanent positions. The
38 minimum salary schedule shall apply to positions paid from State, local, or federal funds. In
39 accordance with the noncertified salary grades and ranges adopted by the State Board of
40 Education, the minimum salary schedule shall differentiate salaries based on years of
41 experience, but experience-based intervals shall be no greater than five years. Local boards of
42 education may compensate occupational therapists and physical therapists above the minimum
43 salary schedule provided all State-funded salaries are within the noncertified salary grades and
44 ranges adopted by the State Board of Education."

45 46 **THIRD GRADE READING TEACHER BONUS PROGRAM FOR 2018-2019**

47 **SECTION 8.9.(a)** It is the intent of the State to reward teacher performance and
48 encourage student learning and improvement. To attain this goal, the Department of Public
49 Instruction shall administer the Third Grade Reading Teacher Bonus Program (program) for the
50 2018-2019 fiscal year to qualifying teachers who have an Education Value-Added Assessment

1 System (EVAAS) student growth index score for third grade reading from the previous school
2 year, as follows:

- 3 (1) For purposes of this section, the following definitions shall apply:
- 4 a. Eligible Teacher. – A teacher who remains teaching in the same
5 school at least from the school year the data for the EVAAS student
6 growth index score for third grade reading is collected until the
7 school year a bonus provided under this subsection is paid.
- 8 b. Qualifying Teacher. – An eligible teacher who meets one or both of
9 the following criteria:
- 10 1. Is in the top twenty-five percent (25%) of teachers in the
11 State according to the EVAAS student growth index score for
12 third grade reading from the previous school year.
- 13 2. Is in the top twenty-five percent (25%) of teachers in the
14 teacher's respective local school administrative unit according
15 to the EVAAS student growth index score for third grade
16 reading from the previous school year.
- 17 (2) Of the funds appropriated for this program, five million dollars (\$5,000,000)
18 shall be allocated for bonuses to qualifying teachers under subdivision
19 (1)b.1. of this subsection. Funds appropriated for this purpose shall be
20 distributed equally among qualifying teachers.
- 21 (3) Of the funds appropriated for this program, five million dollars (\$5,000,000)
22 shall be allocated for bonuses to qualifying teachers under subdivision
23 (1)b.2. of this subsection. Funds allocated for this bonus shall be divided
24 proportionally based on average daily membership in third grade for each
25 local school administrative unit and then distributed equally among
26 qualifying teachers in each local school administrative unit, subject to the
27 following conditions:
- 28 a. Teachers employed in charter schools, regional schools, and
29 University of North Carolina laboratory schools are not eligible to
30 receive a bonus under this subdivision.
- 31 b. Any teacher working in a local school administrative unit that
32 employs three or fewer third grade teachers shall receive a bonus
33 under this subdivision if that teacher has an EVAAS student growth
34 index score for third grade reading from the previous school year that
35 exceeds expected growth.
- 36 (4) Bonuses awarded pursuant to subdivisions (2) and (3) of this subsection are
37 payable in January to qualifying teachers based on EVAAS student growth
38 index score data from the previous school year.
- 39 (5) A qualifying teacher may receive a bonus under both subdivisions (2) and
40 (3) of this subsection.
- 41 (6) The bonus or bonuses awarded to a qualifying teacher pursuant to this
42 section shall be in addition to any regular wage or other bonus the teacher
43 receives or is scheduled to receive.

44 **SECTION 8.9.(b)** Notwithstanding G.S. 135-1(7a), the bonuses awarded by this
45 section are not compensation under Article 1 of Chapter 135 of the General Statutes, the
46 Teachers' and State Employees' Retirement System.

47 **SECTION 8.9.(c)** The State Board of Education shall study the effect of the
48 bonuses awarded pursuant to this section on teacher performance and retention. The State
49 Board shall report the results of its findings, the distribution of statewide bonuses as among
50 local school administrative units, and the distribution of bonuses within local school
51 administrative units as among individual schools to the President Pro Tempore of the Senate,

1 the Speaker of the House of Representatives, the Joint Legislative Education Oversight
2 Committee, and the Fiscal Research Division by March 15, 2019.

3 4 **PART IX. COMMUNITY COLLEGES**

5 6 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

7 **SECTION 9.1.(a)** Notwithstanding any other provision of law and consistent with
8 the authority established in G.S. 115D-3, the President of the North Carolina Community
9 College System may reorganize the System Office in accordance with recommendations and
10 plans submitted to and approved by the State Board of Community Colleges.

11 **SECTION 9.1.(b)** This section expires June 30, 2018.

12 13 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

14 **SECTION 9.2.** Of the funds appropriated to the Community Colleges System
15 Office for the 2017-2019 fiscal biennium for the College Information System, up to one million
16 two hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year
17 but shall remain available until expended. These funds may be used only to purchase periodic
18 system upgrades and modernize the North Carolina Community College System's enterprise
19 resource planning (ERP) system.

20 21 **COMMUNITY COLLEGE WORKFORCE STUDY**

22 **SECTION 9.3.(a)** The State Board of Community Colleges shall study the costs of
23 workforce training and academic instruction delivered by the community colleges. The study
24 shall assess, at minimum, the various factors that affect instructional costs in these courses,
25 including specialized equipment requirements, faculty salaries, and space requirements.

26 **SECTION 9.3.(b)** By September 1, 2018, the State Board shall submit a report to
27 the Office of State Budget and Management, the Fiscal Research Division, and the Joint
28 Legislative Education Oversight Committee on the results of the study, including any
29 recommendations on the calculation of tiered funding rates and the classification of courses by
30 tier.

31 32 **BUDGET ALIGNMENT FOR BIONETWORK GRANTS AND CC SPECIALIZED 33 CENTERS AND PROGRAMS**

34 **SECTION 9.4.** Of the funds reduced by this act for the Bionetwork Grants and the
35 Specialized Centers and Programs to align budgeted funds with actual expenditures for the
36 2017-2019 fiscal biennium, the Community Colleges System Office shall, to the extent
37 practicable, hold harmless for the 2017-2019 biennium those community colleges that
38 expended all of the funds allocated to them through the affected programs in the 2016-2017
39 fiscal year.

40 41 **START-UP FUNDS FOR HIGH-COST WORKFORCE CURRICULUM COURSES**

42 **SECTION 9.5.(a)** The State Board of Community Colleges shall establish the
43 Community College High-Cost Workforce Program Grant to allocate funds to community
44 colleges to establish new high-cost workforce Tier 1A and Tier 1B courses that require
45 significant start-up funds. The State Board shall adopt an application process for community
46 colleges to apply for the award of funds to establish new courses beginning with the 2018-2019
47 fiscal year. To be eligible to receive the funds, community colleges shall submit to the State
48 Board a completed application, which shall include at least the following information:

49 (1) A description of the proposed program of study.

50 (2) An impact assessment of implementing the proposed course on existing
51 programs at contiguous colleges.

1 (3) Documentation of student interest in the course.

2 (4) Alignment of the course with the future employment needs within the area
3 served by the community college and the State.

4 **SECTION 9.5.(b)** The State Board of Community Colleges shall submit a report to
5 the Joint Legislative Education Oversight Committee by November 1 of each year of the
6 program on the implementation of the new high-cost workforce Tier 1A and Tier 1B courses,
7 including at least the following information:

8 (1) The use of funds by community colleges participating in the grant program,
9 including:

10 a. Start-up costs to establish new courses.

11 b. Costs associated with student instruction, including faculty salaries,
12 instructional supplies, and related instructional equipment.

13 (2) Evaluation of the success of the community college courses, including:

14 a. Student enrollment numbers.

15 b. Student outcomes, including job attainment and placement data and
16 completion of any certification, diploma, or associate degree
17 programs.

18 19 **CC BOARD OF TRUSTEES TRAINING**

20 **SECTION 9.6.(a)** Article 2 of Chapter 115D of the General Statutes is amended by
21 adding a new section to read:

22 **"§ 115D-18.5. Training of board of trustees members.**

23 All members of a board of trustees shall participate in, within six months of appointment,
24 an orientation session provided by the Community Colleges System Office. Members shall also
25 participate in an education session provided by the System Office every two years thereafter
26 while serving on the board of trustees. The System Office shall develop orientation and
27 education session content in consultation with community college representatives, including
28 community college presidents and members of boards of trustees. The State Board of
29 Community Colleges shall adopt rules to implement this section."

30 **SECTION 9.6.(b)** G.S. 115D-19(b) reads as rewritten:

31 "(b) A board of trustees may declare vacant the office of a member who does not attend
32 three consecutive, scheduled meetings without justifiable excuse. A board of trustees may also
33 declare vacant the office of a member who, without justifiable excuse, does not participate
34 ~~within six months of appointment in a trustee orientation and education session sponsored by~~
35 ~~the North Carolina Association of Community College Trustees.~~in the board of trustees training
36 required pursuant to G.S. 115D-18.5. The board of trustees shall notify the appropriate
37 appointing authority of any vacancy."

38 **SECTION 9.6.(c)** The Community Colleges System Office shall make the
39 orientation session required by G.S. 115D-18.5, as enacted by this section, available no later
40 than January 1, 2018. Members of boards of trustees appointed between the date this act
41 becomes law and January 1, 2018, shall have until June 30, 2018, to participate in an
42 orientation session. Members of boards of trustees who were appointed prior to the date this act
43 becomes law shall participate in an initial education session pursuant to G.S. 115D-18.5 by
44 December 31, 2018.

45 **SECTION 9.6.(d)** Subsection (b) of this section becomes effective January 1,
46 2019.

47 48 **SELECTION OF LOCAL COMMUNITY COLLEGE PRESIDENTS/CONSULTANT** 49 **CONTRACTS**

50 **SECTION 9.7.(a)** G.S. 115D-20(1) reads as rewritten:

"(1) To elect a president or chief administrative officer of the institution for such term and under such conditions as the trustees may ~~fix, such fix~~. If the board of trustees chooses to use a search consultant to assist with the election process, the board of trustees shall select the search consultant through a competitive request for proposals process. A contract with a search consultant pursuant to this subdivision shall not be subject to Article 3C of Chapter 143 of the General Statutes. The election ~~to~~ of a president or chief administrative officer shall be subject to the approval of the State Board of Community Colleges."

SECTION 9.7.(b) This section applies to consultant contracts entered into on or after the date this act becomes law.

CLARIFY YOUTH APPRENTICESHIP PROGRAM

SECTION 9.8.(a) G.S. 115D-5(b)(16) reads as rewritten:

"(16) Courses provided to students who are participating in ~~an~~ a pre-apprenticeship or apprenticeship program that meets all of the following criteria:

a. Meets one of the following:

1. Is a registered apprenticeship program recognized by the United States Department of Labor.
2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.

c. Requires the participants in the program to be high school students when entering the program."

SECTION 9.8.(b) This section applies retroactively beginning with the 2016 fall academic term.

CATAWBA VALLEY CC/MANUFACTURING CENTER

SECTION 9.9. Chapter 115D of the General Statutes is amended by adding a new Article to read:

"Article 5B.

"Manufacturing Solutions Center at Catawba Valley Community College.

"§ 115D-67.10. Purpose of the Center.

The purpose of the Manufacturing Solutions Center at Catawba Valley Community College is to create and maintain jobs in North Carolina through support of traditional and emerging industries. The Center's services include training, testing, market development, entrepreneur support, product sourcing, prototyping, applied research, and managing a manufacturing business incubator.

"§ 115D-67.11. Director and other Center personnel.

The president of the Catawba Valley Community College shall appoint an individual to serve as the executive director of the Manufacturing Solutions Center. The executive director shall select other personnel of the Center, subject to the approval by the president of the Catawba Valley Community College. The executive director and other personnel of the Center are employees of Catawba Valley Community College and are subject to the personnel policies of the community college.

"§ 115D-67.12. Fees collected by the Center; use of Center funds.

Notwithstanding any other provision of law, all fees collected by the Manufacturing Solutions Center for services to industry, except for regular curriculum and continuing

1 education tuition receipts, shall be retained by the Center and used for the operations of the
2 Center. Purchases made by the Center using these funds are not subject to the provisions of
3 Article 3 of Chapter 143 of the General Statutes. However, the Center shall (i) notify the
4 Secretary of the Department of Administration or the Secretary's designee of the intent to enter
5 into a contract for supplies, materials, printing, equipment, and contractual services that
6 exceeds one million dollars (\$1,000,000) as provided in G.S. 114-8.3 and (ii) include in all
7 agreements or contracts to be awarded by the Center under this section a standard clause which
8 provides that the State Auditor and internal auditors of the Center may audit the records of the
9 contractor during and after the term of the contract to verify accounts and data affecting fees
10 and performance. The Center shall not award a cost plus percentage of cost agreement or
11 contract for any purpose."

12 **PART X. UNIVERSITIES**

13 **FULL-TIME STAFF FOR BOARD OF GOVERNORS/10 DAYS PRIOR NOTICE FOR** 14 **VOTES ON BOARD OF GOVERNORS AGENDA ITEMS**

15 **SECTION 10.1.(a)** Establish Full-Time Staff Positions. – The Board of Governors
16 of The University of North Carolina may hire up to three full-time staff members who shall
17 report directly to the Board of Governors. The Board of Governors shall determine the job
18 titles, responsibilities, and salaries for staff members by December 31, 2017. Salaries for staff
19 hired pursuant to this section shall be competitive with other positions of similar level and
20 authority within The University of North Carolina System.

21 **SECTION 10.1.(b)** Prior Notice for Votes on Agenda Items. – In order to allow
22 proper time to evaluate important items for consideration by the Board of Governors, votes will
23 be allowed only on agenda items that Board of Governors members have had in their
24 possession for at least 10 business days prior to the vote.

25 **SECTION 10.1.(c)** Funding for Staff Positions. – Of the funds appropriated by this
26 act to the Board of Governors of The University of North Carolina for the 2017-2019 fiscal
27 biennium, the sum of up to three hundred thousand dollars (\$300,000) in recurring funds may
28 be used by the Board of Governors each fiscal year of the biennium to support the staff
29 positions for the Board of Governors created pursuant to this section.

30 **SECTION 10.1.(d)** Reporting Requirement. – The Board of Governors shall report
31 to the Joint Legislative Education Oversight Committee no later than December 31, 2017,
32 regarding the staff positions authorized by this section. The report shall include the job titles,
33 responsibilities, and salaries for staff members hired pursuant to this section.

34 **ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS** 35 **REPORT**

36 **SECTION 10.2.** The President of The University of North Carolina shall report
37 each quarter of the 2017-2019 fiscal biennium to the Office of State Budget and Management
38 and the Fiscal Research Division of the General Assembly on the status of budget stabilization
39 funds appropriated to Elizabeth City State University by this act for the purpose of supporting
40 temporary faculty, aviation science programs, and student success initiatives. The reports shall
41 provide detailed descriptions of the scope of work that has been completed to date, anticipated
42 activities for the next quarter, and a plan with time lines to complete the full scope of work. The
43 reports shall also include outcomes achieved from improvements implemented using these
44 funds. The first quarterly report required by this section shall be made no later than January 1,
45 2018.

46 **INCREASE NUMBER OF MEDICAL STUDENT SLOTS**

1 **SECTION 10.3.** Of the funds appropriated by this act to the Board of Governors of
2 The University of North Carolina for the 2017-2018 fiscal year, a sum of at least three million
3 dollars (\$3,000,000) shall be used to increase the number of available medical student slots at
4 the School of Medicine.

5
6 **EXTEND CHALLENGE GRANT FOR COLLABORATORY AT UNC-CHAPEL HILL**

7 **SECTION 10.4.(a)** Section 27.5 of S.L. 2016-94 reads as rewritten:

8 **"SECTION 27.5.** Of the funds appropriated in this act to the Office of State Budget and
9 Management, Special Appropriations, up to the sum of three million five hundred thousand
10 dollars (\$3,500,000) in nonrecurring funds for the 2016-2017 fiscal year shall be allocated to
11 the Board of Trustees of the University of North Carolina at Chapel Hill for operation of the
12 North Carolina Policy Collaboratory. Allocations made pursuant to this section shall be
13 matched by the Board of Trustees on the basis of one dollar (\$1.00) in allocated funds for every
14 one dollar (\$1.00) in non-State funds that the Board of Trustees raises by June 30, 2017, 2018,
15 for the purposes of operating the Collaboratory. These funds shall be in addition to any other
16 funds appropriated in this act for the North Carolina Policy Collaboratory at the University of
17 North Carolina at Chapel Hill. These funds shall not revert but shall continue to be available as
18 matching funds as provided by this section."

19 **SECTION 10.4.(b)** This section becomes effective June 30, 2017.

20
21 **WESTERN SCHOOL OF ENGINEERING AND TECHNOLOGY FUNDS**

22 **SECTION 10.5.(a)** Funds appropriated for project management and curriculum
23 development at the Western School of Engineering and Technology which was funded in the
24 Connect NC Bond for the 2016-2017 fiscal year shall not revert and shall remain available for
25 the 2017-2019 fiscal biennium for the purpose of project management and curriculum
26 development.

27 **SECTION 10.5.(b)** This section becomes effective June 30, 2017.

28
29 **ENHANCE UNC DATA SYSTEMS TO IMPROVE INSTITUTIONAL**
30 **PERFORMANCE AND STUDENT SUCCESS**

31 **SECTION 10.6.(a)** The Board of Governors of The University of North Carolina
32 shall use funds appropriated by this act to modernize business processes, increase
33 standardization, and maximize State resources. The investment will enable better financial
34 management of The University of North Carolina and should yield, at a minimum, but not
35 limited to, cost-per-unit analysis, predictive modeling, and more timely access to actionable
36 information. Funds shall also be used to enhance data systems for the following purposes:
37 integrating financial, human resource, and student account systems across The University of
38 North Carolina System; developing new data collections systems that track faculty and staff
39 retention rates and post-graduation student outcomes; expanding "Know Before You Go" data
40 reporting; and implementing a Web-based student advising tool as part of a pilot program to be
41 known as "Finish in Four."

42 **SECTION 10.6.(b)** The President of The University of North Carolina shall report
43 on implementation of this section to the Joint Legislative Education Oversight Committee on or
44 before March 1 of each fiscal year of the 2017-2019 fiscal biennium. The report shall identify
45 specific improvements to data access, analytics, and transparency available to the public and
46 legislative and executive branch decision-makers resulting from this project.

47
48 **UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS**

49 **SECTION 10.7.(a)** The funds appropriated by this act from the Escheat Fund for
50 the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance with
51 G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if

1 the interest income generated from the Escheat Fund is less than the amounts referenced in this
2 act, the difference may be taken from the Escheat Fund principal to reach the appropriations
3 referenced in this act; however, under no circumstances shall the Escheat Fund principal be
4 reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat
5 Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year,
6 the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the
7 amount of the Escheat Fund income for that fiscal year.

8 **SECTION 10.7.(b)** The State Education Assistance Authority (SEAA) shall
9 conduct periodic evaluations of expenditures of the student financial aid programs administered
10 by SEAA to determine if allocations are utilized to ensure access to institutions of higher
11 learning and to meet the goals of the respective programs. The SEAA may make
12 recommendations for redistribution of funds to the President of The University of North
13 Carolina and the President of the Community College System regarding their respective student
14 financial aid programs, who then may authorize redistribution of unutilized funds for a
15 particular fiscal year.

16 17 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

18 **SECTION 10.8.(a)** The management flexibility reduction for The University of
19 North Carolina shall not be allocated by the Board of Governors to the constituent institutions
20 and affiliated entities using an across-the-board method but shall be done in a manner that
21 recognizes the importance of the academic missions and differences among The University of
22 North Carolina entities.

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

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

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

40 **SECTION 10.8.(b)** In allocating the management flexibility reduction, no
41 reduction in State funds shall be allocated in either fiscal year of the 2017-2019 fiscal biennium
42 to any of the following:

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

- (9) Special Education Scholarships for Children with Disabilities.
- (10) University of North Carolina laboratory schools.
- (11) North Carolina Personal Education Savings Accounts Program.
- (12) Teaching Fellows Program.
- (13) Opportunity Scholarship Program.
- (14) Future Teachers of North Carolina.
- (15) North Carolina Policy Collaboratory.
- (16) NCSU Cooperative Extension.
- (17) NCSU Agricultural Research.

SECTION 10.8.(c) The University of North Carolina shall report on the implementation of the management flexibility reduction in subsection (a) of this section for the 2017-2018 fiscal year to the Office of State Budget and Management and the Fiscal Research Division no later than April 1, 2018, and shall report on the implementation of the management flexibility reduction in subsection (a) of this section for the 2018-2019 fiscal year to the Office of State Budget and Management and the Fiscal Research Division no later than April 1, 2019.

The reports 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.

FUTURE TEACHERS OF NORTH CAROLINA

SECTION 10.9.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 4B. Future Teachers of North Carolina.

"§ 116-41.30. Establishment of Future Teachers of North Carolina.

(a) Purpose. – Future Teachers of North Carolina, hereinafter FTNC, is established to encourage high-achieving high school students with strong academic, interpersonal, and leadership skills to consider teaching as a career.

(b) Program. – FTNC shall be a program providing professional development and curricula for courses that provide a challenging introduction to teaching as a profession for high school students through courses offered by participating high schools in conjunction with college partners. FTNC courses shall include both content on pedagogy and the profession of teaching and field experiences for high school students.

"§ 116-41.31. Oversight of Future Teachers of North Carolina.

(a) FTNC General Administration. – FTNC shall be administratively located in The University of North Carolina General Administration. The President shall select three constituent institutions with highly successful schools of education located in the western, central, and eastern regions of the State, respectively, to collaborate on development of curricula for FTNC and to provide professional development to high school teachers who will teach FTNC courses. The three constituent institutions shall also work with other constituent institutions and other institutions of higher education in the State to seek input in the development of curricula and professional development for FTNC and to create a network of college faculty to provide support to high schools offering FTNC courses.

(b) FTNC Site Applications. – All high schools in the State are encouraged to offer FTNC courses to students. A high school shall apply to offer FTNC courses with the geographically appropriate constituent institution overseeing FTNC and shall ensure that all teachers teaching FTNC courses have received appropriate training. High schools shall also seek a partner institution of higher education to provide support from college faculty. High schools participating in the FTNC program shall report demographic, survey, and other available outcome data to The University of North Carolina General Administration as necessary for completion of the FTNC annual report required by G.S. 116-41.32.

1 (c) FTNC Institution of Higher Education Partners. – Constituent institutions that
2 partner with high schools shall offer dual credit for high school students who successfully
3 complete the FTNC course with a grade of "B" or higher. Other institutions of higher education
4 that partner with high schools are encouraged to offer dual credit for high school students who
5 successfully complete the FTNC course with a grade of "B" or higher. Constituent institutions
6 shall provide annually to The University of North Carolina General Administration data on
7 students who have received dual credit for completion of an FTNC course and students who
8 applied for admission into an educator preparation program at a constituent institution who
9 indicated in the application for admission that the student completed an FTNC course. Other
10 institutions of higher education are encouraged to provide annually to The University of North
11 Carolina General Administration data on students who have received dual credit for completion
12 of an FTNC course and students who applied for admission into an educator preparation
13 program at the institution of higher education who indicated in the application for admission
14 that the student completed an FTNC course.

15 **"§ 116-41.32. Future Teachers of North Carolina reporting.**

16 The University of North Carolina General Administration shall report annually, beginning
17 October 15, 2019, on the following:

- 18 (1) Total number and names of local school administrative units with high
19 schools participating in FTNC, total number and names of high schools
20 offering FTNC, partner institution of higher education for each high school,
21 and number of sections of the course being offered at each high school.
- 22 (2) Demographic information of students enrolled in FTNC courses.
- 23 (3) Percentage of students who, after completing the course, reported the
24 following:
 - 25 a. The student plans to choose teaching as a profession.
 - 26 b. The course was very or somewhat effective in helping the student
27 formulate a positive perception of the education profession.
 - 28 c. The coursework and activities increased the student's knowledge of
29 the teaching profession and other careers in education.
 - 30 d. The field experience helped the student understand the many factors
31 that contribute to effective teaching.
- 32 (4) Percentage of students who completed an FTNC course who received dual
33 credit for successful completion of the course, by institution.
- 34 (5) Percentage of students who completed an FTNC course who applied for
35 admission into an educator preparation program, by institution.
- 36 (6) Number of teachers provided professional development for FTNC."

37 **SECTION 10.9.(b)** The University of North Carolina General Administration shall
38 report by October 15, 2018, on the number of site applications received, number of teachers
39 provided professional development, number of local school administrative units and high
40 schools offering FTNC, and number of sections of the course being offered for the 2018-2019
41 school year.

42 **SECTION 10.9.(c)** This section becomes effective July 1, 2017. The selected
43 constituent institutions shall make available site applications and provide professional
44 development to high school teachers no later than February 1, 2018.

45
46 **UNC ENROLLMENT FUNDING/OSBM RESERVE ACCOUNT**

47 **SECTION 10.10.** Funds appropriated by this act for enrollment adjustments,
48 including funds for the NC Promise Tuition Plan, shall be certified to a reserve account in the
49 Office of State Budget and Management. The appropriation is made on an annual basis and
50 shall be held in reserve until actual enrollment can be verified following the fall semester
51 census. Funds for the spring semester shall be allocated using the actual enrollment from the

1 fall semester and applying the three-year average fall-to-spring retention of fundable credit
2 hours. After verification, the Board of Governors, subject to the approval of the Director of the
3 Budget, shall allocate the funds for the fiscal year to the constituent institutions based on the
4 criteria set out in this section.

5 Upon authorization by the Director of the Budget, funds may be advanced to
6 constituent institutions whose tuition receipts are insufficient to maintain operations until
7 enrollment is verified. Any institutions receiving funds in advance shall report to the Office of
8 State Budget and Management at the close of the semester to reconcile any differences between
9 funding received for enrollment and actual enrollment. An allocation made pursuant to this
10 section may result in an allocation to a constituent institution that is greater than or less than the
11 amount originally requested for enrollment change funding at that institution. Pursuant to
12 G.S. 116-11(9)d., the Director of the Budget may, on recommendation of the Board, authorize
13 transfer of appropriated funds from one institution to another to provide additional adjustments
14 for over or under enrollment or may make any other adjustments among institutions that would
15 provide for the orderly and efficient operation of institutions.

16 17 **IN-STATE TUITION FOR VETERANS/COMPLIANCE WITH FEDERAL LAW**

18 **SECTION 10.11.** G.S. 116-143.3A reads as rewritten:

19 **"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other**
20 **individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or**
21 **38 U.S.C. Chapter 33.**

22 (a) Definitions. – The following definitions apply in this section:

23 (1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).

24 (2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).

25 (3) Veteran. – A person who served active duty for not less than 90 days in the
26 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,
27 or the National Oceanic and Atmospheric Administration and who was
28 discharged or released from such service.

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

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

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

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

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

45 (c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38
46 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational
47 benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the
48 in-State tuition rate and applicable mandatory fees for enrollment without satisfying the
49 12-month residency requirement under G.S. 116-143.1, if the person meets all of the following
50 criteria:

- 1 (1) The person qualifies for admission to the institution of higher education as
2 defined in G.S. 116-143.1(a)(3) ~~and~~ and, with the exception of individuals
3 described in subsections (c1) and (c2) of this section, enrolls in the
4 institution of higher education within three years of the veteran's discharge
5 or release from the Armed Forces, the Commissioned Corps of the U.S.
6 Public Health Service, or the National Oceanic and Atmospheric
7 Administration.
- 8 (2) The person is the recipient of federal educational benefits pursuant to 38
9 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance
10 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as
11 administered by the U.S. Department of Veterans Affairs.
- 12 (3) The person's abode is North Carolina.
- 13 (4) The person provides the institution of higher education at which the person
14 intends to enroll a letter of intent to establish residence in North Carolina.

15 (c1) Recipients using transferred Post-9/11 GI Bill benefits (38 U.S.C. § 3319) while the
16 transferor is on active duty in the Armed Forces, the commissioned corps of the U.S. Public
17 Health Service, or the National Oceanic and Atmospheric Administration are eligible for the
18 in-State tuition rate, provided the recipient's abode is in North Carolina and the recipient
19 provides the institution of higher education a letter of intent to establish residency in North
20 Carolina.

21 (c2) Recipients of the Marine Gunnery Sergeant John David Fry Scholarship (38 U.S.C.
22 § 3311(b)(9)), whose parent or spouse died in the line of duty, without regard as to whether the
23 death in the line of duty followed a period of active duty service of 90 days or more, are
24 eligible to receive in-State tuition under this section, provided the recipient's abode is in North
25 Carolina and the recipient provides the institution of higher education a letter of intent to
26 establish residency in North Carolina.

27 (d) After the expiration of the three-year period following discharge ~~or death~~ as
28 described in 38 U.S.C. § 3679(c), any enrolled veteran entitled to federal educational benefits
29 under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other enrolled individual
30 described in subsection (c) of this section entitled to federal educational benefits under 38
31 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section
32 shall continue to be eligible for the in-State tuition rate so long as the covered individual
33 remains continuously enrolled (other than during regularly scheduled breaks between courses,
34 quarters, terms, or semesters) at that institution of higher education."

36 SENIOR CITIZENS MAY AUDIT COURSES AT UNC AND COMMUNITY 37 COLLEGES

38 SECTION 10.12.(a) Chapter 115B of the General Statutes is amended by adding a
39 new section to read:

40 "§ 115B-2B. Senior citizens may audit classes.

41 Any person who is at least 65 years old may audit courses offered at the constituent
42 institutions of The University of North Carolina and the Community Colleges as defined in
43 G.S. 115D-2(2) without payment of any required registration or enrollment fee for the audit
44 provided the audit is approved by the instructor of the class and there is no cost to the State. A
45 person shall be allowed to audit a class under this section only on a space available basis.
46 Persons auditing classes under this section shall not be counted in the computation of
47 enrollment for funding purposes."

48 SECTION 10.12.(b) G.S. 115B-4 reads as rewritten:

49 "§ 115B-4. Enrollment computation for funding purposes.

1 ~~Persons~~—Except as provided in G.S. 115B-2B, persons attending classes under the
2 provisions of this Chapter, without payment of tuition, shall be counted in the computation of
3 enrollment for funding purposes."

4 **SECTION 10.12.(c)** This section becomes effective July 1, 2017, and applies
5 beginning with the 2017 Fall academic semester.

6 7 **STUDY/UNC EQUAL OPPORTUNITY COMPLIANCE OFFICERS**

8 **SECTION 10.13.(a)** The Board of Governors of The University of North Carolina
9 shall study the equal opportunity policies, which include the policies related to diversity and
10 nondiscrimination, adopted by each constituent institution, the implementation of those policies
11 on each campus, and the services provided on each campus. In conducting the study, the Board
12 of Governors shall review and evaluate the equal opportunity policies with a particular focus on
13 transparency and effectiveness of the policies.

14 As part of the study, the Board of Governors shall direct each constituent institution
15 to identify all staff positions on campus that include as part of the job duties any responsibility
16 for the implementation, administration, or enforcement of policies intended to promote equal
17 opportunity, diversity, or inclusiveness; indicate how those staff positions and the services
18 offered through those positions fit within the organizational structure of the constituent
19 institution; and indicate the direct and indirect costs related to those staff positions and services
20 provided by those staff positions. This information shall include the number of part-time and
21 full-time employees in these staff positions by each individual campus, descriptions of job
22 duties of each of these employees, and the total costs of the positions.

23 The study shall also consider the feasibility of developing equal opportunity plans at
24 each constituent institution that consolidate all equal opportunity services offered at each
25 constituent institution into a single office headed by an equal employment officer designated by
26 the Chancellor in order to promote effectiveness and efficiency.

27 **SECTION 10.13.(b)** The Board of Governors of The University of North Carolina
28 shall submit a report that includes its findings, recommendations, and policy changes to the
29 Joint Legislative Education Oversight Committee by January 1, 2018. The Board of Governors
30 shall approve the report prior to the submission to the Joint Legislative Education Oversight
31 Committee.

32 33 **BOARD OF GOVERNORS STUDY/ESTABLISH SCHOOL OF ALLIED HEALTH 34 SCIENCES AND HEALTH CARE AT UNC-PEMBROKE**

35 **SECTION 10.14.(a)** The Board of Governors of The University of North Carolina
36 shall study the feasibility of establishing a School of Allied Health Sciences and Health Care at
37 the University of North Carolina at Pembroke. In its study the Board of Governors shall
38 consider the health care needs of the region and what allied health science and health care
39 programs would best serve the region and meet its health care needs. The Board of Governors
40 shall also consider the costs and financial benefits of establishing a School of Allied Health
41 Sciences and Health Care.

42 The Board of Governors shall submit a report on the study, including its findings
43 and recommendations, by May 1, 2018, to the members of the Senate and the House of
44 Representatives, by filing a copy of the report with the Office of the President Pro Tempore of
45 the Senate, the Office of the Speaker of the House of Representatives, and the Legislative
46 Library.

47 **SECTION 10.14.(b)** Of the funds appropriated by this act to the Board of
48 Governors of The University of North Carolina for the 2017-2018 fiscal year, the Board may
49 use up to one hundred thousand dollars (\$100,000) to cover the costs of the study required by
50 this section.

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 10.15. Of the funds appropriated by 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 2017-2018 fiscal year and twenty-nine million dollars (\$29,000,000) for the 2018-2019 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

ESTABLISH LEGISLATIVE SCHOOL FOR LEADERSHIP AND PUBLIC SERVICE/GOVERNOR'S SCHOOL FUNDS

SECTION 10.16.(a) The General Assembly finds that it is important to recognize students who have talent and potential as leaders and to provide opportunities and training for students to develop and explore their leadership skills. The General Assembly further finds it is important to prepare students who display leadership skills to lead in responsible, positive ways and to provide a variety of settings for students to practice and strengthen leadership talents. The General Assembly also recognizes that the community involvement and public services performed by students seeking to fulfill their leadership potential provides an invaluable benefit to the State and its citizens.

SECTION 10.16.(b) The Legislative School for Leadership and Public Service is established within The University of North Carolina General Administration. The School shall be a summer residential program for academically gifted high school students that offers a course of study on leadership development and public service that is academically excellent and that also provides an outstanding and unique educational experience.

The Board of Governors shall determine which constituent institution shall be the site and sponsor of the program and, in consultation and collaboration with the constituent institution, shall design and implement an application and nomination process for students interested in attending the program and the criteria and process to be used to determine admissions to the program. The curriculum for the program shall be designed by the constituent institution based on criteria established by the Board of Governors and is subject to the approval of the Board of Governors.

The constituent institution shall administer the Legislative School for Leadership and Public Service in consultation and collaboration with The University of North Carolina Office of General Administration.

SECTION 10.16.(c) G.S. 116-11 is amended by adding a new subdivision to read:

"(13b) The Board of Governors may authorize the constituent institution selected by the Board as the site and sponsor for the Legislative School for Leadership and Public Service to implement a tuition charge for students attending the School to cover the costs of the School."

SECTION 10.16.(d) Part 3 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-33.3. Tuition for Legislative School for Leadership and Public Service.

The Board of Trustees of any constituent institution selected by the Board of Governors as the site and sponsor for the Legislative School for Leadership and Public Service may, with the approval of the Board of Governors, implement a tuition charge for students attending the School to cover the costs of the School."

SECTION 10.16.(e) Of the funds appropriated by this act to the Board of Governors for the 2018-2019 fiscal year, the sum of two hundred thousand dollars (\$200,000) shall be used to support the Summer Ventures Program. The funds shall be allocated equally among the constituent institutions that offer the Summer Ventures Program.

SECTION 10.16.(f) The Legislative School for Leadership and Public Service created by this act shall be offered beginning on or after July 1, 2018, and shall be offered each subsequent summer semester.

1
2 **SUBPART X-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**

3
4 **SOFTWARE FOR ADMINISTRATION OF THE OPPORTUNITY SCHOLARSHIP**
5 **AND SPECIAL EDUCATION SCHOLARSHIP PROGRAMS**

6 **SECTION 10A.1.(a)** The North Carolina State Education Assistance Authority
7 (Authority) shall purchase software necessary to support the administration of the Opportunity
8 Scholarship Grant Program and the Special Education Scholarships for Children with
9 Disabilities Program. The funds appropriated by this act for this purpose may also be used for
10 customization of the software, development of interfaces with other internal systems,
11 conversion of data, and training for staff on the new software system.

12 **SECTION 10A.1.(b)** The Authority shall report by October 1 of each year,
13 beginning October 1, 2017, and ending October 1, 2019, to the Fiscal Research Division and
14 the Joint Legislative Education Oversight Committee on the acquisition of software for
15 administration of the program and all aspects of implementation of the software system and the
16 expenditure of funds.

17
18 **ELIMINATE SCHOOL SITE SCHOLARSHIP ENDORSEMENT REQUIREMENT**

19 **SECTION 10A.2.(a)** G.S. 115C-112.6(b1)(1)a. reads as rewritten:

20 "a. Scholarship endorsement for tuition. – The Authority shall remit, at
21 least two times each school year, scholarship funds awarded to
22 eligible students for endorsement by at least one of the student's
23 parents or guardians for tuition to attend a nonpublic school that
24 meets the requirements of Part 1 or Part 2 of Article 39 of this
25 Chapter as identified by the Department of Administration, Division
26 of Nonpublic Education, is deemed eligible by the Division, and is
27 subject to the requirements of G.S. 115C-562.5. The parent or
28 guardian shall restrictively endorse the scholarship funds awarded to
29 the eligible student ~~to the school~~ for deposit into the account of the
30 ~~school~~ nonpublic school to the credit of the eligible student. The
31 parent or guardian shall not designate any entity or individual
32 associated with the school as the parent's attorney-in-fact to endorse
33 the scholarship funds ~~but shall endorse the scholarship funds in~~
34 ~~person at the site of the school funds~~. A parent's or guardian's failure
35 to comply with this section shall result in forfeiture of the scholarship
36 funds. A scholarship forfeited for failure to comply with this section
37 shall be returned to the Authority to be awarded to another student."

38 **SECTION 10A.2.(b)** G.S. 115C-562.6 reads as rewritten:

39 **"§ 115C-562.6. Scholarship endorsement.**

40 The Authority shall remit, at least two times each school year, scholarship grant funds
41 awarded to eligible students to the nonpublic school for endorsement by at least one of the
42 student's parents or guardians. The parent or guardian shall restrictively endorse the scholarship
43 grant funds awarded to the eligible student ~~to the nonpublic school~~ for deposit into the account
44 of the nonpublic ~~school~~ school to the credit of the eligible student. The parent or guardian shall
45 not designate any entity or individual associated with the nonpublic school as the parent's
46 attorney-in-fact to endorse the scholarship grant funds ~~but shall endorse the scholarship grant~~
47 ~~funds in person at the site of the nonpublic school funds~~. A parent's or guardian's failure to
48 comply with this section shall result in forfeit of the scholarship grant. A scholarship grant
49 forfeited for failure to comply with this section shall be returned to the Authority to be awarded
50 to another student."

1 **SECTION 10A.2.(c)** This section applies to scholarship funds awarded beginning
2 with the 2017-2018 school year.

3
4 **NORTH CAROLINA TEACHING FELLOWS**

5 **SECTION 10A.3.(a)** Article 23 of Chapter 116 of the General Statutes is amended
6 by adding a new Part to read:

7 "Part 3. North Carolina Teaching Fellows Program.

8 **"§ 116-209.60. Definitions.**

9 The following definitions apply in this Part:

- 10 (1) Commission. – The North Carolina Teaching Fellows Commission.
11 (2) Director. – The Director of the North Carolina Teaching Fellows Program.
12 (3) Forgivable loan. – A forgivable loan made under the Program.
13 (4) Program. – The North Carolina Teaching Fellows Program.
14 (5) Public school. – An elementary or secondary school located in North
15 Carolina that is governed by a local board of education, charter school board
16 of directors, regional school board of directors, or University of North
17 Carolina laboratory school board of trustees.
18 (6) STEM. – Science, technology, engineering, and mathematics.
19 (7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund.

20 **"§ 116-209.61. North Carolina Teaching Fellows Commission established; membership.**

21 (a) Commission Established. – There is established the North Carolina Teaching
22 Fellows Commission. The Commission shall determine program and forgivable loan recipient
23 selection criteria and selection procedures and shall select the recipients to receive forgivable
24 loans under the North Carolina Teaching Fellows Program in accordance with the requirements
25 of this Part. The Director of the North Carolina Teaching Fellows Program shall appoint staff to
26 the Commission.

27 (b) Membership. – The Commission shall consist of 14 members who shall be
28 appointed or serve as ex officio members as follows:

- 29 (1) The Board of Governors of The University of North Carolina shall appoint
30 seven members to the Commission as follows:
31 a. Two deans of approved schools of education at postsecondary
32 constituent institutions of The University of North Carolina.
33 b. The president of a North Carolina community college.
34 c. A teacher who graduated from an approved educator preparation
35 program located in the State within three years of appointment to
36 serve on the Commission.
37 d. A principal who graduated from an approved educator preparation
38 program located in the State.
39 e. A local board of education member.
40 f. A member to represent business and industry in North Carolina.
41 (2) The General Assembly shall appoint two members to the Commission in
42 accordance with G.S. 120-121 as follows:
43 a. One dean of an approved school of education at a private
44 postsecondary institution operating in the State upon the
45 recommendation of the Speaker of the House of Representatives.
46 b. One dean of an approved school of education at a private
47 postsecondary institution operating in the State upon the
48 recommendation of the President Pro Tempore of the Senate.
49 (3) The following five members shall serve as ex officio members to the
50 Commission:
51 a. The North Carolina Teacher of the Year.

- 1 b. The North Carolina Principal of the Year.
2 c. The North Carolina Superintendent of the Year.
3 d. The chair of the Board of the State Education Assistance Authority.
4 e. The Director of the North Carolina Teaching Fellows Program.

5 (c) Terms of Office. – Appointments to the Commission shall be for two-year terms,
6 expiring on July 1 in odd-numbered years. Members serving ex officio, other than the chair of
7 the Board of the State Education Assistance Authority and Director of the North Carolina
8 Teaching Fellows Program, who have otherwise completed their term of service, shall continue
9 to serve on the Commission until July 1, annually.

10 (d) Vacancies. – Except as otherwise provided, if a vacancy occurs in the membership
11 of the Commission, the appointing authority shall appoint another person meeting the same
12 qualifications to serve for the balance of the unexpired term.

13 (e) Chair; Meetings. – The Director of the Program shall call the first meeting of the
14 Commission. The Commission members shall elect a chair and a vice-chair from the
15 membership of the Commission to serve one-year terms. The Commission shall meet regularly
16 at times and places deemed necessary by the chair or, in the absence of the chair, by the
17 vice-chair.

18 (f) Conflict of Interest. – A member of the Commission shall abstain from voting on
19 the selection of an educator preparation program of a postsecondary constituent institution of
20 The University of North Carolina or a private postsecondary institution operating in the State
21 under G.S. 116-209.62(f) if the member is an officer or employee of the institution or sits as a
22 member of the institution's board of directors.

23 (g) Expenses. – Commission members shall receive per diem, subsistence, and travel
24 allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

25 **"§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

26 (a) Program. – There is established the North Carolina Teaching Fellows Program to be
27 administered by the General Administration of The University of North Carolina, in
28 conjunction with the Authority and the Commission. The purpose of the Program is to recruit,
29 prepare, and support students residing in or attending institutions of higher education located in
30 North Carolina for preparation as highly effective STEM or special education teachers in the
31 State's public schools. The Program shall be used to provide a forgivable loan to individuals
32 interested in preparing to teach in the public schools of the State in STEM or special education
33 licensure areas.

34 (b) Trust Fund. – There is established the North Carolina Teaching Fellows Program
35 Trust Fund to be administered by the Authority, in conjunction with the General Administration
36 of The University of North Carolina. All funds (i) appropriated to, or otherwise received by, the
37 Program for forgivable loans, (ii) received as repayment of forgivable loans, and (iii) earned as
38 interest on these funds shall be placed in the Trust Fund. The purpose of the Trust Fund is to
39 provide financial assistance to qualified students for completion of teacher education and
40 licensure programs to fill STEM or special education licensure areas in the public schools of
41 the State.

42 (c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only
43 for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the
44 Program, including recruitment and recovery of funds advanced under the Program, and (iii)
45 extracurricular enhancement activities of the Program. The Authority may use up to six
46 hundred thousand dollars (\$600,000) from the Trust Fund in each fiscal year for its
47 administrative costs, the salary of the Director of the Program, expenses of the Commission,
48 and to provide the Commission with funds to use for the extracurricular enhancement activities
49 of the Program.

50 (d) Director of the Program. – The Board of Governors of The University of North
51 Carolina shall appoint a Director of the Program. The Director shall appoint staff to the

1 Commission and shall be responsible for recruitment and coordination of the Program,
2 including proactive, aggressive, and strategic recruitment of potential recipients. Recruitment
3 activities shall include (i) targeting regions of the State with the highest teacher attrition rates
4 and teacher recruitment challenges, (ii) actively engaging with educators, business leaders,
5 experts in human resources, elected officials, and other community leaders throughout the
6 State, and (iii) attracting candidates in STEM and special education licensure areas to the
7 Program. The Director shall report to the President of The University of North Carolina. The
8 Authority shall provide office space and clerical support staff, as necessary, to the Director for
9 the Program.

10 (e) Student Selection Criteria for Forgivable Loans. – The Commission shall adopt
11 stringent standards for awarding forgivable loans based on multiple measures to ensure that
12 only the strongest applicants receive them, including the following:

13 (1) Grade point averages.

14 (2) Performance on relevant career and college readiness assessments.

15 (3) Experience, accomplishments, and other criteria demonstrating qualities
16 positively correlated with highly effective teachers, including excellent
17 verbal and communication skills.

18 (4) Demonstrated commitment to serve in a STEM or special education
19 licensure area in North Carolina public schools.

20 (f) Program Selection Criteria. – The Authority shall administer the Program in
21 cooperation with five institutions of higher education with approved educator preparation
22 programs selected by the Commission that represent both postsecondary constituent institutions
23 of The University of North Carolina and private postsecondary institutions operating in the
24 State. The Commission shall adopt stringent standards for selection of the most effective
25 educator preparation programs, including the following:

26 (1) Demonstrates high rates of educator effectiveness on value-added models
27 and teacher evaluations, including using performance-based, subject-specific
28 assessment and support systems, such as edTPA or other metrics of
29 evaluating candidate effectiveness that have predictive validity.

30 (2) Demonstrates measurable impact of prior graduates on student learning,
31 including impact of graduates teaching in STEM or special education
32 licensure areas.

33 (3) Demonstrates high rates of graduates passing exams required for teacher
34 licensure.

35 (4) Provides curricular and co-curricular enhancements in leadership, facilitates
36 learning for diverse learners, and promotes community engagement,
37 classroom management, and reflection and assessment.

38 (5) Requires at least a minor concentration of study in the subject area that the
39 candidate may teach.

40 (6) Provides early and frequent internship or practical experiences, including the
41 opportunity for participants to perform practicums in diverse school
42 environments.

43 (7) Is approved by the State Board of Education as an educator preparation
44 program.

45 (g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to
46 selected students to be used at the five selected institutions for completion of a program leading
47 to teacher licensure as follows:

48 (1) North Carolina high school seniors. – Forgivable loans of up to eight
49 thousand two hundred fifty dollars (\$8,250) per year for up to four years.

- 1 (2) Students applying for transfer to a selected educator preparation program at
2 an institution of higher education. – Forgivable loans of up to eight thousand
3 two hundred fifty dollars (\$8,250) per year for up to three years.
4 (3) Individuals currently holding a bachelor's degree seeking preparation for
5 teacher licensure. – Forgivable loans of up to eight thousand two hundred
6 fifty dollars (\$8,250) per year for up to two years.
7 (4) Students matriculating at institutions of higher education who are changing
8 to enrollment in a selected educator preparation program. – Forgivable loans
9 of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to
10 two years.

11 Forgivable loans may be used for tuition, fees, and the cost of books.

12 (h) Identification of STEM and Special Education Licensure Areas. – The
13 Superintendent of Public Instruction shall identify and provide to the Commission and the
14 Authority a list of STEM and special education licensure areas and shall annually provide to
15 the Commission the number of available positions in each licensure area relative to the number
16 of current and anticipated teachers in that area of licensure. The Commission shall make the list
17 of STEM and special education licensure areas readily available to applicants.

18 (i) Administration of Forgivable Loan Awards. – Upon the naming of recipients of the
19 forgivable loans by the Commission, the Commission shall transfer to the Authority its
20 decisions. The Authority, in coordination with the Director, shall perform all of the
21 administrative functions necessary to implement this Part, which functions shall include rule
22 making, disseminating information, acting as a liaison with participating institutions of higher
23 education, implementing forgivable loan agreements, loan monitoring, loan cancelling through
24 service and collection, determining the acceptability of service repayment agreements,
25 enforcing the agreements, and all other functions necessary for the execution, payment, and
26 enforcement of promissory notes required under this Part.

27 (j) Annual Report. – The Commission, in coordination with the Authority, shall report
28 no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education
29 Oversight Committee regarding the following:

- 30 (1) Forgivable loans awarded from the Trust Fund, including the following:
31 a. Demographic information regarding recipients.
32 b. Number of recipients by institution of higher education and program.
33 c. Information on number of recipients by anticipated STEM and
34 special education licensure area.
35 (2) Placement and repayment rates, including the following:
36 a. Number of graduates who have been employed in a STEM or special
37 education licensure area within two years of program completion.
38 b. Number of graduates who accepted employment at a low-performing
39 school identified under G.S. 115C-105.37 as part of their years of
40 service.
41 c. Number of graduates who have elected to do loan repayment and
42 their years of service, if any, prior to beginning loan repayment.
43 d. Number of graduates employed in a STEM or special education
44 licensure area who have received an overall rating of at least
45 accomplished and have met expected growth on applicable standards
46 of the teacher evaluation instrument.
47 e. Aggregate information on student growth and proficiency in courses
48 taught by graduates who have fulfilled service requirements through
49 employment in a STEM or special education licensure area.
50 (3) Selected school outcomes by program, including the following:
51 a. Turnover rate for forgivable loan graduates.

- 1 b. Aggregate information on student growth and proficiency as
2 provided annually by the State Board of Education to the
3 Commission in courses taught by forgivable loan graduates.
4 c. Fulfillment rate of forgivable loan graduates.

5 **"§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.**

6 (a) Notes. – All forgivable loans shall be evidenced by notes made payable to the
7 Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the
8 Authority and beginning on the first day of September after the completion of the program
9 leading to teacher licensure or 90 days after termination of the forgivable loan, whichever is
10 earlier. The forgivable loan may be terminated upon the recipient's withdrawal from school or
11 by the recipient's failure to meet the standards set by the Commission.

12 (b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the
13 loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive
14 of any authorized deferment for extenuating circumstances, the recipient serves as a teacher in a
15 STEM or special education licensure area, as provided in G.S. 116-209.62(h), for every year
16 the teacher was awarded the forgivable loan, in any combination of the following:

- 17 (1) One year at a North Carolina public school identified as low-performing
18 under G.S. 115C-105.37 at the time the teacher accepts employment at the
19 school or, if the teacher changes employment during this period, at another
20 school identified as low-performing.
21 (2) Two years at a North Carolina public school not identified as
22 low-performing under G.S. 115C-105.37.

23 The Authority shall also forgive the loan if it finds that it is impossible for the recipient to
24 work for up to eight years, within 10 years after completion of the program leading to teacher
25 licensure, at a North Carolina public school because of the death or permanent disability of the
26 recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be
27 repaid within 10 years after completion of the program leading to teacher licensure supported
28 by the forgivable loan. If the recipient completes a program leading to teacher licensure,
29 payment of principal and interest shall begin no later than the first day of September after the
30 completion of the program. Should a recipient present extenuating circumstances, the Authority
31 may extend the period to repay the loan in cash to no more than a total of 12 years."

32 **SECTION 10A.3.(b)** Initial appointments to the North Carolina Teaching Fellows
33 Commission shall be made no later than August 15, 2017. Initial appointments to the
34 Commission shall expire July 1, 2019.

35 **SECTION 10A.3.(c)** The Commission shall establish initial selection criteria for
36 recipients and select the five institutions of higher education with approved educator
37 preparation programs at which a recipient may use a forgivable loan no later than November
38 15, 2017, and shall make available applications to prospective students no later than December
39 31, 2017.

40 **SECTION 10A.3.(d)** The Superintendent of Public Instruction shall establish the
41 list of STEM and special education licensure areas and provide that information to the
42 Commission and Authority no later than October 1, 2017.

43 **SECTION 10A.3.(e)** The Commission shall select recipients and award the initial
44 forgivable loans for the 2018-2019 academic year no later than April 1, 2018.

45 **SECTION 10A.3.(f)** G.S. 115C-472.16(b) reads as rewritten:

46 "(b) The General Assembly shall only appropriate moneys in the North Carolina
47 Education Endowment Fund for ~~teacher compensation that is related directly to improving~~
48 ~~student academic outcomes in the public schools of the State.~~the forgivable loans for the North
49 Carolina Teaching Fellows Program and administration of the North Carolina Teaching
50 Fellows Program under Part 3 of Article 23 of Chapter 116 of the General Statutes."

51 **SECTION 10A.3.(g)** G.S. 116-209.27(a) reads as rewritten:

1 "(a) The Authority shall, as of March 1, 2015, administer all outstanding scholarship
2 loans previously awarded by the former North Carolina Teaching Fellows Commission and
3 subject to repayment under the former Teaching Fellows ~~Program~~ Program administered
4 pursuant to Part 2 of Article 24C of Chapter 115C of the General Statutes."

5 **SECTION 10A.3.(h)** For the 2017-2018 fiscal year, the Department of Public
6 Instruction shall transfer the sum of four hundred fifty thousand dollars (\$450,000) in
7 nonrecurring funds from the North Carolina Education Endowment Fund to the Board of
8 Governors of The University of North Carolina to allocate to the Authority to be used to
9 implement the North Carolina Teaching Fellows Program (Program), as established by this
10 section. Beginning with the 2018-2019 fiscal year, the Department of Public Instruction shall
11 transfer the sum of six million dollars (\$6,000,000) in recurring funds from the North Carolina
12 Education Endowment Fund to the Board of Governors to be allocated to the Authority for the
13 operation of the Program and for the award of forgivable loans to selected recipients beginning
14 with the 2018-2019 academic year.

15 16 **PERSONAL EDUCATION SAVINGS ACCOUNT PROGRAM**

17 **SECTION 10A.4.(a)** Chapter 115C of the General Statutes is amended by adding a
18 new Article to read:

19 "Article 39A.

20 "Personal Education Savings Accounts.

21 "§ 115C-567.5. North Carolina Personal Education Savings Account Program
22 established.

23 There is established the North Carolina Personal Education Savings Accounts Program to
24 provide the option for a parent to better meet the individual educational needs of the parent's
25 child.

26 "§ 115C-567.6. Definitions.

27 The following definitions apply in this Article:

- 28 (1) Authority. – The North Carolina State Education Assistance Authority.
- 29 (2) Division. – The Division of Nonpublic Education, Department of
30 Administration.
- 31 (3) Eligible student. – A student residing in North Carolina who has not yet
32 received a high school diploma and who meets all of the following
33 requirements:
 - 34 a. Meets one of the following criteria:
 - 35 1. Was a full-time student (i) assigned to and attending a public
36 school pursuant to G.S. 115C-366 or (ii) enrolled in a
37 Department of Defense Elementary and Secondary School,
38 established pursuant to 10 U.S.C. § 2164 and located in North
39 Carolina, during the previous semester.
 - 40 2. Received scholarship funds for a personal education savings
41 account during the previous school year.
 - 42 3. Is entering either kindergarten or the first grade.
 - 43 4. Is a child in foster care, as defined in G.S. 131D-10.2(9).
 - 44 5. Is a child whose adoption decree was entered not more than
45 one year prior to submission of the scholarship application.
 - 46 6. Is a child whose parent or legal guardian is on full-time duty
47 status in the active uniformed service of the United States,
48 including members of the National Guard and Reserve on
49 active duty orders pursuant to 10 U.S.C. § 12301, et seq., and
50 10 U.S.C. § 12401, et seq.

1 7. Is a child enrolled part-time in a public school and part-time
2 in a nonpublic school that exclusively provides services for
3 children with disabilities.

4 b. Has not enrolled in a postsecondary institution in a matriculated
5 status eligible for enrollment for 12 hours of academic credit.

6 c. Is a child with a disability, as defined in G.S. 115C-106.3(1),
7 including, for example, intellectual disability, hearing impairment,
8 speech or language impairment, visual impairment, serious emotional
9 disturbance, orthopedic impairment, autism, traumatic brain injury,
10 other health impairments, specific learning disability, or disability as
11 may be required to be included under IDEA.

12 (4) Nonpublic school. – A school that meets the requirements of Part 1, 2, or 3
13 of Article 39 of this Chapter, as identified by the Division.

14 (5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.

15 (6) Personal Education Savings Account or PESA. – A bank account provided
16 to a parent for the purpose of holding scholarship funds awarded by the
17 Authority for an eligible student to be used for qualifying education
18 expenses under G.S. 115C-567.10.

19 **"§ 115C-567.7. Award of scholarship funds for a personal education savings account.**

20 (a) Application Selection. – The Authority shall make available no later than February
21 1 of each year applications to eligible students for the award of scholarship funds for a personal
22 education savings account to be used for qualifying education expenses to attend a nonpublic
23 school. Information about scholarship funds and the application process shall be made available
24 on the Authority's Web site. Applications shall be submitted electronically. Beginning March
25 15, the Authority shall begin selecting recipients for scholarships according to the following
26 criteria:

27 (1) First priority shall be given to eligible students who were awarded
28 scholarship funds for a PESA during the previous school year if those
29 students have applied by March 1.

30 (2) After funds have been awarded to prior recipients as provided in subdivision
31 (1) of this subsection, any remaining funds shall be used to award
32 scholarship funds for a PESA for all other eligible students.

33 (b) Scholarship Awards. – Scholarships shall be awarded each year for an amount not to
34 exceed nine thousand dollars (\$9,000) per eligible student for the fiscal year in which the
35 application is received. Recipients shall receive scholarship funds deposited in equal amounts
36 to a PESA in each quarter of the fiscal year. The first deposit of funds to a PESA shall be
37 subject to the execution of the parental agreement required by G.S. 115C-567.10. The parent
38 shall then receive a debit card with the prepaid funds loaded on the card at the beginning of the
39 fiscal year. After the initial disbursement of funds, each subsequent, quarterly disbursement of
40 funds shall be subject to the submission by the parent of an expense report. The expense report
41 shall be submitted electronically and shall include documentation that the student received an
42 education, as described in G.S. 115C-567.10(a)(1), for no less than 35 days of the applicable
43 quarter. The debit card shall be renewed upon the receipt of the parental agreement under
44 G.S. 115C-567.10 for recipients awarded scholarship funds in subsequent fiscal years. Any
45 funds remaining on the card at the end of the fiscal year may be carried forward to the next
46 fiscal year if the card is renewed. Any funds remaining on the card if an agreement is not
47 renewed shall be returned to the Authority.

48 (c) Eligibility for Other Scholarships. – Eligibility for the other scholarship programs is
49 provided for as follows:

50 (1) An eligible student under this Article may receive, in addition to a PESA, a
51 scholarship under Part 2A of Article 39 of this Chapter.

1 (2) An eligible student under this Article may receive, in addition to a PESA and
2 a scholarship under Part 2A of Article 39 of this Chapter, a scholarship
3 under the special education scholarship program for children with
4 disabilities pursuant to Part 1H of Article 9 of this Chapter, only if that
5 student has one or more of the following disabilities:

- 6 a. Autism.
7 b. Developmental disability.
8 c. Hearing impairment.
9 d. Moderate or severe intellectual disability.
10 e. Multiple, permanent orthopedic impairments.
11 f. Visual impairment.

12 (d) Applications Not Public Records. – Applications for scholarship funds and
13 personally identifiable information related to eligible students receiving funds shall not be a
14 public record under Chapter 132 of the General Statutes. For the purposes of this section,
15 personally identifiable information means any information directly related to a student or
16 members of a student's household, including the name, birthdate, address, Social Security
17 number, telephone number, e-mail address, or any other information or identification number
18 that would provide information about a specific student or members of a specific student's
19 household.

20 **"§ 115C-567.8. Student continuing eligibility.**

21 After the initial disbursement of funds, the Authority shall ensure that the student's
22 continuing eligibility is assessed at least every three years by one of the following:

- 23 (1) The local education agency. – The local education agency shall assess if the
24 student continues to be a child with a disability and verify the outcome on a
25 form to be provided to the Authority.
26 (2) A licensed psychologist with a school psychology focus or a psychiatrist. –
27 The psychologist or psychiatrist shall assess, after review of appropriate
28 medical and educational records, if the education and related services
29 received by the student in the nonpublic school setting have improved the
30 child's educational performance and if the student would continue to benefit
31 from placement in the nonpublic school setting. The psychologist or
32 psychiatrist shall verify the outcome of the assessment on a form to be
33 provided to the Authority.

34 **"§ 115C-567.9. Verification of eligibility.**

35 (a) Verification of Information. – The Authority may seek verification of information
36 on any application for the award of scholarship funds for a personal education savings account.
37 The Authority shall select and verify six percent (6%) of applications annually, including those
38 with apparent errors on the face of the application. The Authority shall establish rules for the
39 verification process. If a household fails to cooperate with verification efforts, the Authority
40 shall revoke the award of scholarship funds for a PESA for the eligible student.

41 (b) Access to Information. – Household members of applicants for the award of
42 scholarship funds for a PESA shall authorize the Authority to access information needed for
43 verification efforts held by other State agencies, including the Department of Health and
44 Human Services and the Department of Public Instruction.

45 **"§ 115C-567.10. Parental agreement; use of funds.**

46 (a) Parental Agreement. – The Authority shall provide the parent of a scholarship
47 recipient with a written agreement, applicable for each year the eligible student receives
48 scholarship funds under this Article, to be signed and returned to the Authority prior to
49 receiving the scholarship funds. The agreement shall be submitted to the Authority
50 electronically. The parent shall not designate any entity or individual to execute the agreement
51 on the parent's behalf. A parent or eligible student's failure to comply with this section shall

1 result in a forfeit of scholarship funds and those funds may be awarded to another eligible
2 student. The parent shall agree to the following conditions in order to receive scholarship funds
3 under this Article:

4 (1) Use at least a portion of the scholarship funds to provide an education to the
5 eligible student in, at a minimum, the subjects of English language arts,
6 mathematics, social studies, and science.

7 (2) Unless the student is an eligible student pursuant to G.S. 115C-567.6(3)a.7.,
8 release a local education agency in which the student is eligible to attend
9 under G.S. 115C-366 of all obligations to educate the eligible student while
10 the eligible student is receiving scholarship funds under this Article. A
11 parent of a student, other than a student who is an eligible student pursuant
12 to G.S. 115C-567.6(3)a.7., who decides to enroll the student into the local
13 education agency or other North Carolina public school during the term of
14 the agreement shall notify the Authority to request a release from the
15 agreement and shall return any unexpended funds to the Authority.

16 (3) Use the scholarship funds deposited into a personal education savings
17 account only for the following qualifying education expenses of the eligible
18 student:

19 a. Tuition and fees for a nonpublic school that meets the requirements
20 of Part 1 or Part 2 of Article 39 of this Chapter and is subject to the
21 requirements of G.S. 115C-562.5.

22 b. Textbooks required by a nonpublic school.

23 c. Tutoring and teaching services provided by an individual or facility
24 accredited by a State, regional, or national accrediting organization.

25 d. Curricula.

26 e. Fees for nationally standardized norm-referenced achievement tests,
27 advanced placement tests, or nationally recognized college entrance
28 exams.

29 f. Fees charged to the account holder for the management of the PESA.

30 g. Fees for services provided by a public school, including individual
31 classes and extracurricular programs.

32 h. Premiums charged to the account holder for any insurance or surety
33 bonds required by the Authority.

34 i. Educational therapies from a licensed or accredited practitioner or
35 provider.

36 j. Educational technology defined by the Authority as approved for use
37 pursuant to Part 1H of Article 9 of this Chapter.

38 k. Student transportation, pursuant to a contract with an entity that
39 regularly provides student transportation, to and from (i) a provider
40 of education or related services or (ii) an education activity.

41 (4) Not use scholarship funds for any of the following purposes:

42 a. Computer hardware or other technological devices not defined by the
43 Authority as educational technology approved for use pursuant to
44 Part 1H of Article 9 of this Chapter.

45 b. Consumable educational supplies, including paper, pen, or markers.

46 c. Tuition and fees at an institution of higher education, as defined in
47 G.S. 116-143.1, or a private postsecondary institution.

48 d. Tuition and fees for a nonpublic school that meets the requirements
49 of Part 3 of Article 39 of this Chapter.

50 (b) No Refunds to an Account Holder. – A nonpublic school or a provider of services
51 purchased under subsection (a) of this section shall not refund or rebate any scholarship funds

1 to a parent or eligible student in any manner. The parent shall notify the Authority if such a
2 refund is required.

3 (c) Funds in the PESA Not Taxable. – Funds received pursuant to this Article do not
4 constitute taxable income to the parent, legal guardian, or legal custodian of an eligible student
5 or to the eligible student.

6 **"§ 115C-567.11. Identification of nonpublic schools and distribution of personal**
7 **education savings account information.**

8 (a) List of Nonpublic Schools. – The Division shall provide annually by February 1 to
9 the Authority a list of all nonpublic schools operating in the State that meet the requirements of
10 Part 1, 2, or 3 of Article 39 of this Chapter.

11 (b) Information on PESAs to the Division. – The Authority shall provide information
12 about personal education savings accounts to the Division. The Division shall provide
13 information about PESAs to all qualified nonpublic schools on an annual basis.

14 **"§ 115C-567.12. Administration.**

15 (a) Rules and Regulations. – The Authority shall establish rules and regulations for the
16 administration of the program, including the following:

- 17 (1) The administration and awarding of scholarship funds, including a lottery
18 process for the selection of recipients within the criteria established by
19 G.S. 115C-567.7(a), if necessary.
- 20 (2) Requiring a surety bond or insurance to be held by account holders.
- 21 (3) Use of the funds and the reporting of expenditures.
- 22 (4) Monitoring and control of spending scholarship funds deposited in a
23 personal education savings account.

24 (b) Contract for Management of PESAs. – The Authority may contract with a private
25 financial management firm or institution to manage PESAs in accordance with this Article.

26 (c) Annual Audits. – The Authority shall conduct annual audits of PESAs and may
27 audit a random sampling of PESAs as needed to ensure compliance with the requirements of
28 this Article. The Authority may contract with an independent entity to conduct these audits.
29 The Authority may remove a parent or eligible student from the program and close a personal
30 education savings account for failure to comply with the terms of the parental agreement, for
31 failure to comply with applicable laws, or because the student is no longer an eligible student.

32 (d) Administration Costs. – Of the funds allocated to the Authority to award scholarship
33 funds under this Article, the Authority may retain up to two hundred fifty thousand dollars
34 (\$250,000) each fiscal year for administrative costs associated with the program, including
35 contracting with non-State entities for administration of certain components of the program.

36 **"§ 115C-567.13. Reporting requirements.**

37 The Authority shall report annually, no later than September 1, to the Joint Legislative
38 Education Oversight Committee on the following:

- 39 (1) Total number, grade level, race, ethnicity, and sex of eligible students
40 receiving scholarship funds.
- 41 (2) Total amount of scholarship funding awarded.
- 42 (3) Number of students previously enrolled in public schools in the prior
43 semester by the previously attended local education agency.
- 44 (4) Nonpublic schools in which scholarship recipients are enrolled, including
45 numbers of scholarship recipients at each nonpublic school.
- 46 (5) The number of substantiated cases of fraud by recipients and the number of
47 parents or students removed from the program for noncompliance with the
48 provisions of this Article."

49 **SECTION 10A.4.(b)** G.S. 105-153.5(b) is amended by adding a new subdivision

50 to read:

"(12) The amount deposited during the taxable year to a personal education savings account under Article 39A of Chapter 115C of the General Statutes."

SECTION 10A.4.(c) G.S. 115C-555 reads as rewritten:

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

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

- ...
- (4) It receives no funding from the State of North Carolina. For the purposes of this Article, scholarship ~~grant~~ funds awarded pursuant to Part 2A of this ~~Article~~ Article, Article 39A of this Chapter, or Part 1H of Article 9 of this Chapter to eligible students attending a nonpublic school shall not be considered funding from the State of North Carolina."

SECTION 10A.4.(d) Of the funds appropriated by this act for the Personal Education Savings Account Program in the 2017-2018 fiscal year, the sum of four hundred fifty thousand dollars (\$450,000) shall be allocated to the Authority to establish the Program. Of the funds appropriated by this act for the Personal Education Savings Account Program in the 2018-2019 fiscal year, the sum of one million dollars (\$1,000,000) shall be allocated to the Authority to award scholarship funds to eligible students in accordance with this section.

SECTION 10A.4.(e) Subsection (a) of this section applies beginning with the 2018-2019 school year. Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2018.

PART XI. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XI-A. CENTRAL MANAGEMENT AND SUPPORT

HEALTH INFORMATION TECHNOLOGY

SECTION 11A.1. Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-139.4D. Department of Health and Human Services; coordination of health information technology.

(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology policies and programs within the State of North Carolina. The goal of the Chief Information Officer of the Department of Health and Human Services in coordinating State health information technology 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 health information technology 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.

- 1 (6) Improving public health services and facilitating early identification and
2 rapid response to public health threats and emergencies, including
3 bioterrorist events and infectious disease outbreaks.
4 (7) Facilitating health and clinical research.
5 (8) Promoting early detection, prevention, and management of chronic diseases.
6 (b) The Department, in cooperation with the Department of Information Technology,
7 shall establish and direct a health information technology management structure that is efficient
8 and transparent and that is compatible with the Office of the National Health Coordinator for
9 Information Technology (National Coordinator) governance mechanism. The health
10 information technology management structure shall be responsible for all of the following:
11 (1) Developing a State Plan for implementing and ensuring compliance with
12 national health information technology standards and for the most efficient,
13 effective, and widespread adoption of health information technology.
14 (2) Ensuring that (i) specific populations are effectively integrated into the State
15 Plan, including aging populations, populations requiring mental health
16 services, and populations utilizing the public health system, and (ii) unserved
17 and underserved populations receive priority consideration for health
18 information technology support.
19 (3) Identifying all health information technology stakeholders and soliciting
20 feedback and participation from each stakeholder in the development of the
21 State Plan.
22 (4) Ensuring that existing health information technology capabilities are
23 considered and incorporated into the State Plan.
24 (5) Identifying and eliminating conflicting health information technology efforts
25 where necessary.
26 (6) Identifying available resources for the implementation, operation, and
27 maintenance of health information technology, including identifying
28 resources and available opportunities for North Carolina institutions of
29 higher education.
30 (7) Ensuring that potential State Plan participants are aware of health
31 information technology policies and programs and the opportunity for
32 improved health information technology.
33 (8) Monitoring health information technology efforts and initiatives in other
34 states and replicating successful efforts and initiatives in North Carolina.
35 (9) Monitoring the development of the National Coordinator's strategic plan and
36 ensuring that all stakeholders are aware of and in compliance with its
37 requirements.
38 (10) Monitoring the progress and recommendations of the Health Information
39 Technology Policy and Standards Committee and ensuring that all
40 stakeholders remain informed of the Committee's recommendations.
41 (11) Monitoring all studies and reports provided to the United States Congress
42 and reporting to the Joint Legislative Oversight Committee on Information
43 Technology and the Fiscal Research Division on the impact of report
44 recommendations on State efforts to implement coordinated health
45 information technology."
46

47 **FUNDS FOR MEDICAID MANAGEMENT INFORMATION SYSTEM/ANALYTICS**
48 **REPROCUREMENT**

49 **SECTION 11A.2.(a)** Of the funds appropriated in this act to the Department of
50 Health and Human Services, Division of Central Management and Support, the sum of one
51 hundred forty-two thousand seven hundred dollars (\$142,700) in prior year earned revenues for

1 the 2017-2018 fiscal year and the sum of two hundred forty-three thousand nine hundred
2 sixty-seven dollars (\$243,967) in prior year earned revenues for the 2018-2019 fiscal year shall
3 be used to match federal funds to (i) enhance the Medicaid Management Information System
4 (MMIS) to align with federal Medicaid Information Technology Architecture standards, system
5 modularity, and reporting analytics and (ii) prepare for the procurement of a take-over vendor
6 for the MMIS and the Reporting and Analytics contract, all as required by the federal Centers
7 for Medicare and Medicaid Services. This project shall not proceed until the business case has
8 been approved by the Office of State Budget and Management and the State Chief Information
9 Officer in the Enterprise Project Management Office Touchdown System. Upon such approval,
10 funds may be budgeted and the Department may create up to 10 full-time equivalent
11 time-limited positions dedicated to the project for the 2018-2019 fiscal year.

12 **SECTION 11A.2.(b)** Departmental receipts appropriated in this act in the sum of
13 one million two hundred eighty-four thousand three hundred dollars (\$1,284,300) for the
14 2017-2018 fiscal year and in the sum of two million one hundred ninety-five thousand seven
15 hundred three dollars (\$2,195,703) for the 2018-2019 fiscal year shall be used for the purposes
16 described in subsection (a) of this section.
17

18 **FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH** 19 **TECHNOLOGY (NC FAST)**

20 **SECTION 11A.3.(a)** Of the funds appropriated in this act to the Department of
21 Health and Human Services, Division of Central Management and Support, the sum of eight
22 million nine hundred thousand dollars (\$8,900,000) in nonrecurring funds for the 2017-2018
23 fiscal year and the sum of eleven million one hundred nine thousand dollars (\$11,109,000) in
24 nonrecurring funds for the 2018-2019 fiscal year, along with prior year earned revenue in the
25 amount of eleven million nine hundred thousand dollars (\$11,900,000) for each year of the
26 2017-2019 fiscal biennium and the cash balance in Budget Code 24410 Fund 2411 shall be
27 used to match federal funds to expedite the development and implementation of Child Services
28 Case Management, additional Medicaid eligibility requirements, Enterprise Program Integrity,
29 and Identity Proofing Feasibility components of the North Carolina Families Accessing
30 Services through Technology (NC FAST) project. The Department shall report any changes in
31 approved federal funding or federal match rates within 30 days after the change to the Joint
32 Legislative Oversight Committee on Health and Human Services, the Joint Legislative
33 Oversight Committee on Information Technology, and the Fiscal Research Division.
34 Departmental receipts appropriated in this act in the sum of one hundred three million four
35 hundred fifty thousand dollars (\$103,450,000) for the 2017-2018 fiscal year and in the sum of
36 seventy-five million five hundred ninety-one thousand dollars (\$75,591,000) for the 2018-2019
37 fiscal year shall be used to implement the components of the NC FAST project described in this
38 subsection.

39 **SECTION 11A.3.(b)** Of the funds appropriated in this act to the Department of
40 Health and Human Services, Division of Central Management and Support, the sum of one
41 million nine hundred thousand dollars (\$1,900,000) in recurring funds for the 2017-2018 fiscal
42 year and seven million seven hundred thousand dollars (\$7,700,000) in recurring funds for the
43 2018-2019 fiscal year shall be used to provide ongoing maintenance and operations for the NC
44 FAST system, including the creation of 32 full-time equivalent positions for the 2017-2018
45 fiscal year and 54 full-time equivalent positions for the 2018-2019 fiscal year. Departmental
46 receipts appropriated in this act in the sum of ten million five hundred thousand dollars
47 (\$10,500,000) for the 2017-2018 fiscal year and in the sum of fifteen million dollars
48 (\$15,000,000) for the 2018-2019 fiscal year shall be used for the purposes specified in this
49 subsection.
50

51 **HEALTH ANALYTICS PILOT PROGRAM**

1 **SECTION 11A.4.** The Department of Health and Human Services shall continue to
2 coordinate with the Government Data Analytics Center (GDAC) to further develop and fully
3 operationalize the Health Analytics Pilot Program for Medicaid claims analytics and population
4 health management authorized by Section 12A.17 of S.L. 2015-241, as amended by Section
5 12A.7 of S.L. 2016-94. The purpose of the Health Analytics Program is to apply analytics to
6 data available to the Department through the GDAC in a manner that maximizes health care
7 savings and efficiencies to the State, optimizes positive impacts on health outcomes, and assists
8 in the transition to, and management of, the transformed North Carolina Medicaid and North
9 Carolina Health Choice programs as described in S.L. 2015-245, as amended by Section 2 of
10 S.L. 2016-121.

11 12 **HEALTH INFORMATION EXCHANGE**

13 **SECTION 11A.5.(a)** Section 12A.5(a)(1) of S.L. 2015-241 reads as rewritten:

14 "(1) Establish a successor HIE Network to which ~~(i) all Medicaid providers shall~~
15 ~~be connected by February 1, 2018, and (ii) all other entities that receive State~~
16 ~~funds for the provision of health services, including local management~~
17 ~~entities/managed care organizations, shall be connected by June 1, 2018; the~~
18 following providers shall establish connectivity and commence submission
19 of demographic and clinical data or encounter and claims data, as
20 appropriate, in accordance with the following time line:

21 a. The following providers of Medicaid services that have an electronic
22 health record system, by June 1, 2018:

23 1. Hospitals as defined in G.S. 131E-176(3).

24 2. Physicians licensed to practice under Article 1 of Chapter 90
25 of the General Statutes.

26 3. Physician assistants as defined in 21 NCAC 32S .0201.

27 4. Nurse practitioners as defined in 21 NCAC 36 .0801.

28 b. Prepaid Health Plans, as defined in S.L. 2015-245, by the
29 commencement date of a capitated contract with the Division of
30 Health Benefits for the delivery of Medicaid and NC Health Choice
31 services as specified in S.L. 2015-245.

32 c. All other providers of Medicaid and State-funded services, including
33 local management entities/managed care organizations, by June 1,
34 2019."

35 **SECTION 11A.5.(b)** G.S. 90-414.4 reads as rewritten:

36 "**§ 90-414.4. Required participation in HIE Network for some providers.**

37 (a) Findings. – The General Assembly makes the following findings:

38 (1) That controlling escalating health care costs of the Medicaid program and
39 other State-funded health services is of significant importance to the State,
40 its taxpayers, its Medicaid recipients, and other recipients of State-funded
41 health services.

42 (2) That the State needs timely access to certain demographic and clinical
43 information pertaining to services rendered to Medicaid and other
44 State-funded health care program beneficiaries and paid for with Medicaid
45 or other State-funded health care funds in order to assess performance,
46 improve health care outcomes, pinpoint medical expense trends, identify
47 beneficiary health risks, and evaluate how the State is spending money on
48 Medicaid and other State-funded health services.

49 (3) That making demographic and clinical information available to the State by
50 secure electronic means as set forth in subsection (b) of this section will,
51 with respect to Medicaid and other State-funded health care programs,

1 improve care coordination within and across health systems, increase care
2 quality for such beneficiaries, enable more effective population health
3 management, reduce duplication of medical services, augment syndromic
4 surveillance, allow more accurate measurement of care services and
5 outcomes, increase strategic knowledge about the health of the population,
6 and facilitate health care cost containment.

7 (a1) Mandatory Connectivity to HIE Network. – Notwithstanding the voluntary nature of
8 the HIE Network under G.S. 90-414.2, the following providers shall establish connectivity to
9 the HIE Network and commence submission of demographic and clinical data or encounter and
10 claims data, as appropriate under subsections (b) and (c) of this section, by the following dates:

11 (1) The following providers of Medicaid services that have an electronic health
12 record system, by June 1, 2018:

13 a. Hospitals as defined in G.S. 131E-176(13).

14 b. Physicians licensed to practice under Article 1 of Chapter 90 of the
15 General Statutes.

16 c. Physician assistants as defined in 21 NCAC 32S .0201.

17 d. Nurse practitioners as defined in 21 NCAC 36 .0801.

18 (2) Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement
19 date of a capitated contract with the Division of Health Benefits for the
20 delivery of Medicaid and NC Health Choice services as specified in S.L.
21 2015-245.

22 (3) All other providers of Medicaid and State-funded services, including local
23 management entities/managed care organizations, by June 1, 2019.

24 (a2) Extensions of Time for Establishing Connectivity. – The Authority and the
25 Department may establish a process to grant limited extensions of the time for providers to
26 establish connectivity to the HIE Network and commence data submission as required under
27 this section upon the request of a provider that demonstrates an ongoing good-faith effort to
28 take necessary steps to establish such connectivity. The process for granting an extension of
29 time must include a presentation by the provider to the Authority and the Department of the
30 expected time line for establishing connectivity to the HIE Network and commencing data
31 submission as required by this section. Neither the Authority nor the Department shall grant an
32 extension of time (i) to any provider that fails to provide this information to the Authority and
33 the Department or (ii) that would result in the provider establishing connectivity to the HIE
34 Network and commencing data submission as required by this section later than June 1, 2020.

35 (b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the
36 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in
37 subsection (d) of this section, as a condition of receiving State funds, including Medicaid funds,
38 the following entities shall submit at least twice daily, through the HIE network, demographic
39 and clinical information pertaining to services rendered to Medicaid and other State-funded
40 health care program beneficiaries and paid for with Medicaid or other State-funded health care
41 funds, solely for the purposes set forth in subsection (a) of this section:

42 (1) Each hospital, as defined in ~~G.S. 131E-76(3)~~, G.S. 131E-176(13) that has an
43 electronic health record system.

44 (2) Each Medicaid provider.

45 (3) Each provider that receives State funds for the provision of health services.

46 (4) Each local management entity/managed care organization, as defined in
47 G.S. 122C-3.

48 This subsection does not apply to the entities listed in subsection (c) of this section.

49 (c) Mandatory Submission of Encounter and Claims Data. – Notwithstanding the
50 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in
51 subsection (d) of this section, beginning June 1, 2019, the following entities shall submit,

1 through the HIE network, encounter and claims data pertaining to services rendered to
2 Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid
3 or other State-funded health care funds as a condition of receiving State funds:

4 (1) Providers of respiratory, developmental, rehabilitative, or restorative
5 services, or a combination of these services.

6 (2) Facilities that provide respite care.

7 (3) Providers of speech, language, or hearing services, or a combination of these
8 services.

9 (4) Providers of transportation services.

10 (5) Suppliers of durable medical equipment.

11 (d) Exemption for Certain Records. – Providers with patient records that are subject to
12 the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsections (b)
13 and (c) of this section, but only with respect to the patient records subject to these disclosure
14 restrictions. Providers shall comply with the requirements of subsections (b) and (c) of this
15 section with respect to all other patient records.

16 (e) Method of Data Submissions. – The ~~daily~~ data submissions required under this
17 subsection-section shall be by connection to the HIE Network periodic asynchronous secure
18 structured file transfer or any other secure electronic means commonly used in the industry and
19 consistent with document exchange and data submission standards established by the Office of
20 the National Coordinator for Information Technology within the U.S. Department of Health
21 and Human Services."

22 **SECTION 11A.5.(c)** G.S. 90-414.10(e) is repealed.

23 **SECTION 11A.5.(d)** The Department of Health and Human Services shall include
24 as one of the terms and conditions of any contract it enters into on or after the effective date of
25 this section with a local management entity/managed care organization or Prepaid Health Plan
26 (PHP), as defined in S.L. 2015-245, a requirement that the local management entity/managed
27 care organization or PHP comply with the provisions of G.S. 90-414.4, as amended by this
28 section.

29 **SECTION 11A.5.(e)** Funds appropriated in this act to the Department of Health
30 and Human Services, Division of Central Management and Support, for the 2017-2018 fiscal
31 year for the Health Information Exchange Network shall be used as follows:

32 (1) The sum of three million dollars (\$3,000,000) in nonrecurring funds shall be
33 transferred by November 1, 2017, to the Department of Information
34 Technology, Government Data Analytics Center, and shall be used to
35 support all activities related to upgrading the data exchange technical
36 environment.

37 (2) The sum of one million dollars (\$1,000,000) in recurring funds shall be used
38 to provide ongoing maintenance and operations of the new data exchange
39 technical environment.
40

41 **CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS**

42 **SECTION 11A.6.(a)** It is the intent of the General Assembly to improve the
43 security, functionality, and security capabilities of the Controlled Substances Reporting System
44 (CSRS) in order to provide additional value to practitioners and dispensers within their current
45 clinical workflows. Toward that end, funds appropriated in this act to the Department of Health
46 and Human Services, Division of Central Management and Support, for each year of the
47 2017-2019 fiscal biennium for the CSRS shall be used to pay for contractual hours to develop
48 and implement software via existing public-private partnerships with the Government Data
49 and Analytics Center (GDAC) for the performance of advanced analytics within the CSRS.
50 These hours shall be used to achieve the purposes specified in G.S. 90-113.71 and, more
51 specifically, to accomplish at least all of the following:

- 1 (1) To enhance and automate reports authorized under G.S. 90-113.74.
- 2 (2) To enhance the Department's ability to provide data to persons or entities
- 3 authorized to receive information under G.S. 90-113.74. In improving the
- 4 CSRS as specified in this subdivision, the Department shall utilize
- 5 subject matter expertise and technology available through existing
- 6 GDAC public-private partnerships. Upon development and
- 7 implementation of the advanced analytics software for the CSRS, the
- 8 Division of Central Management and Support shall coordinate with the
- 9 Division of Mental Health, Developmental Disabilities, and Substance
- 10 Abuse Services, the Division of Public Health, and any other appropriate
- 11 division within the Department of Health and Human Services to ensure
- 12 that advanced analytics are developed and utilized in a manner that
- 13 achieves the purposes specified in G.S. 90-113.71.
- 14 (3) To aggregate relevant data sources, including those available through the
- 15 GDAC.
- 16 (4) To enhance the Department's ability to generate and deploy advanced
- 17 analytics in order to improve opioid prescribing practices, identify unusual
- 18 prescribing patterns, and detect behavior indicative of misuse, addiction, or
- 19 criminal activity.

20 **SECTION 11A.6.(b)** By December 1, 2017, the Department of Health and
21 Human Services shall execute any contractual agreements and interagency data sharing
22 agreements necessary to complete the improvements to the CSRS described in
23 subdivisions (1) through (4) of subsection (a) of this section.

24 **SECTION 11A.6.(c)** To the extent allowable under federal and State laws and
25 regulations, the Department of Information Technology shall coordinate with the Division
26 of Central Management and Support and the Division of Mental Health,
27 Developmental Disabilities, and Substance Abuse Services to develop an interface
28 between the CSRS and the Health Information Exchange (HIE) Network and leverage the
29 interfaces already developed between the HIE Network and health care entities as a method
30 of providing CSRS data, reports, and analytic outputs to health care practitioners and
31 dispensers.

32 **SECTION 11A.6.(d)** This section is effective when this act becomes law.

33 34 **DATA ANALYTICS & PERFORMANCE ENHANCEMENTS**

35 **SECTION 11A.7.** Any enhancement of the State's data analytics capabilities
36 utilizing funds appropriated in this act to the Department of Health and Human Services,
37 Division of Central Management and Support, for each year of the 2017-2019 fiscal biennium
38 shall be subject to applicable State laws requiring that these analytics be developed and
39 implemented in collaboration with the Government Data Analytics Center.

40 41 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

42 **SECTION 11A.8.(a)** Funds appropriated in this act to the Department of Health
43 and Human Services, Division of Central Management and Support, Office of Rural Health, for
44 each year of the 2017-2019 fiscal biennium for Community Health Grants shall be used to
45 award grants on a competitive basis to free clinics, federally qualified health centers,
46 State-designated rural health centers, local health departments, school-based health centers, and
47 other nonprofit organizations (i) with at least an eighty percent (80%) patient population
48 comprised of uninsured patients or any combination of patients who are uninsured or recipients
49 of Medicare, Medicaid, or the Children's Health Insurance Program; (ii) that provide primary
50 care and preventative health services to low-income populations across the State, including
51 individuals who are uninsured or underinsured and recipients of Medicaid and Medicare; and

1 (iii) that serve as a medical home to these vulnerable populations, in order to accomplish any of
2 the following purposes:

- 3 (1) Increase access to primary care and preventative health services for these
4 vulnerable populations in existing primary care locations.
- 5 (2) Establish primary care and preventative health services in counties where no
6 such services exist to serve these vulnerable populations.
- 7 (3) Create new services, sustain existing service levels, or augment existing
8 services provided to these vulnerable populations, including primary care
9 and preventative health services and including dental, pharmacy, and
10 behavioral health services when integrated into the medical home.
- 11 (4) Increase primary care capacity to serve these vulnerable populations,
12 including enhancing or replacing facilities, equipment, or technologies
13 necessary to participate in the exchange of data and tools to monitor and
14 improve the quality of care provided.

15 **SECTION 11A.8.(b)** Of the funds appropriated in this act to the Department of
16 Health and Human Services, Division of Central Management and Support, Office of Rural
17 Health, for Community Health Grants, not more than two hundred thousand dollars (\$200,000)
18 in recurring funds for each year of the 2017-2019 fiscal biennium shall be used for
19 administrative purposes.

20 **SECTION 11A.8.(c)** The Office of Rural Health shall work with the North
21 Carolina Community Health Center Association, the North Carolina Association of Local
22 Health Directors, the North Carolina Association of Free and Charitable Clinics, the North
23 Carolina School-Based Health Alliance, and other organizations representing eligible grant
24 recipients to establish a Primary Care Advisory Committee to develop an objective and
25 equitable process for grading applications for grants funded by this section and making
26 recommendations to the Office of Rural Health for the award of grants funded by this section.

27 The Office of Rural Health shall make the final decision about awarding grants
28 funded by this section, but no single grant award shall exceed one hundred fifty thousand
29 dollars (\$150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall
30 give preference to applicants located in areas of the State with the highest incidences of poverty
31 or that serve the highest percentage of indigent clients.

32 **SECTION 11A.8.(d)** Grant recipients shall not use these funds to do any of the
33 following:

- 34 (1) Enhance or increase compensation or other benefits of personnel,
35 administrators, directors, consultants, or any other persons receiving funds
36 for program administration.
- 37 (2) Supplant existing funds, including federal funds traditionally received by
38 federally qualified community health centers. However, grant funds may be
39 used to supplement existing programs that serve the purposes described in
40 subsection (a) of this section.
- 41 (3) Finance or satisfy any existing debt.

42 **SECTION 11A.8.(e)** The Office of Rural Health shall develop a standardized
43 method for grant recipients to report objective, measurable quality health outcomes and shall
44 require grant recipients to report these quality health outcomes to the Department. Beginning
45 recipients of grant funds shall annually provide to the Office of Rural Health a written report
46 detailing the number of patients that are cared for, the types of services that were provided,
47 quality measures and outcomes, and any other information requested by the Office of Rural
48 Health as necessary for evaluating the success of the Community Health Grant Program.

49 **SECTION 11A.8.(f)** Of the funds appropriated in this act to the Department of
50 Health and Human Services, Division of Central Management and Support, Office of Rural
51 Health, for the Community Health Grant Program, the sum of up to one hundred fifty thousand

1 dollars (\$150,000) in recurring funds for each year of the 2017-2019 fiscal biennium shall be
2 used to match federal funds to provide to safety net providers eligible to participate in the
3 Community Health Grant Program, through the Rural Health Technology Team, ongoing
4 training and technical assistance with respect to health information technology, the adoption of
5 electronic health records, and the establishment of connectivity to the State's health information
6 exchange network known as NC HealthConnex.

7 8 **RURAL HEALTH LOAN REPAYMENT PROGRAMS**

9 **SECTION 11A.9.** Article 3 of Chapter 143B of the General Statutes is amended by
10 adding a new section to read:

11 **"§ 143B-139.4C. Office of Rural Health; administration of loan repayment programs.**

12 (a) The Department of Health and Human Services, Office of Rural Health, shall use
13 funds appropriated to the Department for loan repayment to medical, dental, and psychiatric
14 providers practicing in State hospitals or in rural or medically underserved communities in this
15 State to combine the following loan repayment programs in order to achieve efficient and
16 effective management of these programs:

17 (1) The Physician Loan Repayment Program.

18 (2) The Psychiatric Loan Repayment Program.

19 (3) The Loan Repayment Initiative at State Facilities.

20 (b) These funds may be used for the following additional purposes:

21 (1) Continued funding of the State Loan Repayment Program for primary care
22 providers and expansion of State incentives to general surgeons practicing in
23 Critical Access Hospitals located across the State.

24 (2) Expansion of the State Loan Repayment Program to include eligible
25 providers residing in North Carolina who use telemedicine in rural and
26 underserved areas."

27 28 **REDUCTION OF FUNDS FOR PURCHASED SERVICES**

29 **SECTION 11A.10.** The Department of Health and Human Services, Division of
30 Central Management and Support, shall achieve the required reduction in purchased services by
31 reducing Fund Code 1910 by the sum of three million two hundred thousand dollars
32 (\$3,200,000) in recurring funds for the 2017-2018 fiscal year and by the sum of three million
33 two hundred thousand dollars (\$3,200,000) in recurring funds for the 2018-2019 fiscal year. In
34 making the reductions required by this section, the Department may implement
35 department-wide reductions in purchased services but shall not reduce any funds used to
36 support (i) direct services contracts or (ii) the 2012 settlement agreement entered into between
37 the United States Department of Justice and the State of North Carolina to ensure that the State
38 will willingly meet the requirements of the Americans with Disabilities Act of 1990, Section
39 504 of the Rehabilitation Act of 1973, and the United States Supreme Court decision in
40 *Olmstead v. L.C.*, 527 U.S. 581 (1999).

41 42 **OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY**

43 **SECTION 11A.11.(a)** The Department of Health and Human Services shall not
44 use any funds appropriated in this act for the Office of Program Evaluation Reporting and
45 Accountability for any purpose other than to establish and administer that Office and to
46 implement the provisions of Part 31A of Article 3 of Chapter 143B of the General Statutes.

47 **SECTION 11A.11.(b)** By December 1, 2017, the Department of Health and
48 Human Services shall report to the Joint Legislative Oversight Committee on Health and
49 Human Services and the Fiscal Research Division on the establishment and operation of the
50 Office of Program Evaluation Reporting and Accountability. The report shall include at least all
51 of the following:

- 1 (1) A breakdown of all expenditures from the funds appropriated to the
2 Department since the 2015-2016 fiscal year for the establishment and
3 administration of the Office.
- 4 (2) All steps taken by the Department to establish the Office pursuant to Part
5 31A of Article 3 of Chapter 143B of the General Statutes.
- 6 (3) An organizational chart of the Office that includes all employees.
- 7 (4) A list of all assessments and evaluations conducted or in progress by the
8 Office.
- 9 (5) An explanation of any obstacles to establishment and operation of the Office
10 or fulfillment by the Office of any of the duties prescribed in
11 G.S. 143B-216.56.
12

13 **CONTRACTING SPECIALIST AND CERTIFICATION PROGRAM**

14 **SECTION 11A.12.(a)** By September 1, 2017, the Department of Health and
15 Human Services shall submit to the Joint Legislative Oversight Committee on Health and
16 Human Services and the Fiscal Research Division the proposal prepared pursuant to Section
17 12A.4 of S.L. 2016-94 by the School of Government at the University of North Carolina at
18 Chapel Hill, in collaboration with the Director of Procurement, Contracts and Grants for the
19 Department of Health and Human Services, for the implementation and administration of a
20 contracting specialist training program for management level personnel within the Department.
21 The proposal shall include a detailed description of the proposed program curriculum along
22 with budget estimates for program implementation and administration based on the
23 requirements of the program design.

24 **SECTION 11A.12.(b)** This section is effective when this act becomes law.
25

26 **GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL** 27 **CENTER**

28 **SECTION 11A.13.(a)** Calculation of Nonrecurring Payment of Funds. – Of the
29 funds appropriated in this act to the Department of Health and Human Services, Division of
30 Central Management and Support, for the 2017-2018 fiscal year for Graduate Medical
31 Education, the sum of up to three million dollars (\$3,000,000) in nonrecurring funds shall be
32 allocated to Cape Fear Valley Medical Center (the Center) to support the establishment of
33 residency programs affiliated with Campbell University School of Medicine. Subject to
34 fulfillment of the conditions specified in subsection (b) of this section, the nonrecurring amount
35 of funds allocated to the Center pursuant to this section shall be equal to the total amount of
36 actual lost Medicare payments for admissions to the Center prior to October 1, 2017, attributed
37 to the Center's reclassification by the federal Centers for Medicare and Medicaid Services
38 (CMS) as a rural hospital or rural referral center or any other change approved by CMS, up to a
39 maximum of three million dollars (\$3,000,000).

40 **SECTION 11A.13.(b)** Conditions for Payment of Funds. – No funds shall be paid
41 to the Center pursuant to the calculation specified in subsection (a) of this section until the
42 Office of State Budget and Management (OSBM) certifies, in writing, all of the following:

- 43 (1) The amount of actual lost Medicare payments for admissions to the Center
44 prior to October 1, 2017, attributed to the Center's reclassification by the
45 federal Centers for Medicare and Medicaid Services (CMS) as a rural
46 hospital or rural referral center or any other change approved by CMS.
- 47 (2) That the Center has maintained approval from CMS for reclassification as a
48 rural hospital or rural referral center.
- 49 (3) That the Center has maintained approval from the Accreditation Council for
50 Graduate Medical Education or the American Osteopathic Association for
51 residency programs with a minimum of 130 additional residency slots.

1 **SECTION 11A.13.(c)** Report on Use of Funds. – The Center shall report on or
2 before April 1, 2018, to the House Appropriations Committee on Health and Human Services,
3 the Senate Appropriations Committee on Health and Human Services, the Joint Legislative
4 Oversight Committee on Health and Human Services, and the Fiscal Research Division
5 regarding its progress in establishing any residency programs funded by State appropriations.

6 **SECTION 11A.13.(d)** Any funds not obligated or encumbered for the purposes
7 specified in this section by June 30, 2018, shall revert to the General Fund.

8 **SECTION 11A.13.(e)** Section 12A.8 of S.L. 2016-94, as amended by Section 5.1
9 of S.L. 2016-123, is repealed.

10 11 **COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS**

12 **SECTION 11A.14.(a)** Of the funds appropriated in this act to the Department of
13 Health and Human Services, Division of Central Management and Support, the sum of ten
14 million six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) for each
15 year of the 2017-2019 fiscal biennium, the sum of four million five hundred eight thousand
16 seven hundred fifty-four dollars (\$4,508,754) for the 2017-2018 fiscal year and the sum of four
17 million four hundred seventy-six thousand six hundred twenty dollars (\$4,476,620) for the
18 2018-2019 fiscal year appropriated in Section 11L.1(p) of this act in Social Services Block
19 Grant funds, and the sum of one million six hundred thousand dollars (\$1,600,000) for each
20 year of 2017-2019 fiscal biennium in Section 11L.1 of this act in Substance Abuse Prevention
21 and Treatment Block Grant funds shall be used to allocate funds for nonprofit organizations.

22 **SECTION 11A.14.(b)** The Department shall continue administering a competitive
23 grants process for nonprofit funding. The Department shall administer a plan that, at a
24 minimum, includes each of the following:

- 25 (1) A request for application (RFA) process to allow nonprofits to apply for and
26 receive State funds on a competitive basis. The Department shall require
27 nonprofits to include in the application a plan to evaluate the effectiveness,
28 including measurable impact or outcomes, of the activities, services, and
29 programs for which the funds are being requested.
- 30 (2) A requirement that nonprofits match a minimum of fifteen percent (15%) of
31 the total amount of the grant award.
- 32 (3) A requirement that the Secretary prioritize grant awards to those nonprofits
33 that are able to leverage non-State funds in addition to the grant award.
- 34 (4) A process that awards grants to nonprofits that have the capacity to provide
35 services on a statewide basis and that support any of the following State
36 health and wellness initiatives:
 - 37 a. A program targeting advocacy, support, education, or residential
38 services for persons diagnosed with autism.
 - 39 b. A system of residential supports for those afflicted with substance
40 abuse addiction.
 - 41 c. A program of advocacy and supports for individuals with intellectual
42 and developmental disabilities or severe and persistent mental illness,
43 substance abusers, or the elderly.
 - 44 d. Supports and services to children and adults with developmental
45 disabilities or mental health diagnoses.
 - 46 e. A food distribution system for needy individuals.
 - 47 f. The provision and coordination of services for the homeless.
 - 48 g. The provision of services for individuals aging out of foster care.
 - 49 h. Programs promoting wellness, physical activity, and health education
50 programming for North Carolinians.
 - 51 i. The provision of services and screening for blindness.

- 1 j. A provision for the delivery of after-school services for
2 apprenticeships or mentoring at-risk youth.
- 3 k. The provision of direct services for amyotrophic lateral sclerosis
4 (ALS) and those diagnosed with the disease.
- 5 l. A comprehensive smoking prevention and cessation program that
6 screens and treats tobacco use in pregnant women and postpartum
7 mothers.
- 8 m. A program providing short-term or long-term residential substance
9 abuse services. For purposes of this sub-subdivision, "long-term"
10 means a minimum of 12 months.
- 11 n. A program that provides year-round sports training and athletic
12 competition for children and adults with disabilities.

13 It is the intent of the General Assembly that annually the Secretary evaluate
14 and prioritize the categories of health and wellness initiatives described
15 under this subdivision to determine the best use of these funds in making
16 grant awards, exclusive of direct allocations made by the General Assembly.

- 17 (5) A process that ensures that funds received by the Department to implement
18 the plan supplement and do not supplant existing funds for health and
19 wellness programs and initiatives.
- 20 (6) A process that allows grants to be awarded to nonprofits for up to two years.
- 21 (7) A requirement that initial disbursement of the grants be awarded no later
22 than 30 days after certification of the State budget for the respective fiscal
23 year.

24 **SECTION 11A.14.(c)** No later than July 1 of each year, as applicable, the
25 Secretary shall announce the recipients of the competitive grant awards and allocate funds to
26 the grant recipients for the respective grant period pursuant to the amounts designated under
27 subsection (a) of this section. After awards have been granted, by September 1 of each year, the
28 Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and
29 Human Services on the grant awards that includes at least all of the following:

- 30 (1) The identity and a brief description of each grantee and each program or
31 initiative offered by the grantee.
- 32 (2) The amount of funding awarded to each grantee.
- 33 (3) The number of persons served by each grantee, broken down by program or
34 initiative.

35 **SECTION 11A.14.(d)** No later than December 1 of each fiscal year, each nonprofit
36 organization receiving funding pursuant to this subsection in the respective fiscal year shall
37 submit to the Division of Central Management and Support a written report of all activities
38 funded by State appropriations. The report shall include the following information about the
39 fiscal year preceding the year in which the report is due:

- 40 a. The entity's mission, purpose, and governance structure.
- 41 b. A description of the types of programs, services, and activities
42 funded by State appropriations.
- 43 c. Statistical and demographical information on the number of persons
44 served by these programs, services, and activities, including the
45 counties in which services are provided.
- 46 d. Outcome measures that demonstrate the impact and effectiveness of
47 the programs, services, and activities.
- 48 e. A detailed program budget and list of expenditures, including all
49 positions funded, matching expenditures, and funding sources.

50 **SECTION 11A.14.(e)** For the 2017-2019 fiscal biennium only, from the funds
51 identified in subsection (a) of this section, the Department shall make allocations as follows:

- 1 (1) The sum of three hundred fifty thousand dollars (\$350,000) in each year of
2 the 2017-2019 fiscal biennium to provide grants to Big Brothers Big Sisters.
3 Big Brothers Big Sisters shall be required to seek future funding through the
4 competitive grants process in accordance with subsection (b) of this section.
- 5 (2) The sum of one million six hundred twenty-five thousand dollars
6 (\$1,625,000) for each year of the 2017-2019 fiscal biennium and the sum of
7 one million six hundred thousand dollars (\$1,600,000) in Section 11L.1 of
8 this act in Substance Abuse Prevention and Treatment Block Grant funds in
9 each year of the 2017-2019 fiscal biennium to Triangle Residential Options
10 for Substance Abusers, Inc., (TROSA) for the purpose of assisting
11 individuals with substance abuse addiction. TROSA shall be required to seek
12 future funding through the competitive grants process in accordance with
13 subsection (b) of this section.

14 **SECTION 11A.14.(f)** Funds appropriated pursuant to this section that have been
15 awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but
16 shall remain available for expenditure.

17 **SECTION 11A.14.(g)** G.S. 143B-139.2A is repealed.

18
19 **SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

20
21 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED**
22 **FACILITIES**

23 **SECTION 11B.1.(a)** Eligibility. – The Department of Health and Human Services,
24 Division of Child Development and Early Education, shall continue implementing the
25 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four
26 years of age on or before August 31 of the program year. In determining eligibility, the
27 Division shall establish income eligibility requirements for the program not to exceed
28 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children
29 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if
30 those children have other designated risk factors. Furthermore, any age-eligible child who is a
31 child of either of the following shall be eligible for the program: (i) an active duty member of
32 the Armed Forces of the United States, including the North Carolina National Guard, State
33 military forces, or a reserve component of the Armed Forces who was ordered to active duty by
34 the proper authority within the last 18 months or is expected to be ordered within the next 18
35 months, or (ii) a member of the Armed Forces of the United States, including the North
36 Carolina National Guard, State military forces, or a reserve component of the Armed Forces
37 who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K
38 participants may continue through local education agencies and local North Carolina
39 Partnership for Children, Inc., partnerships.

40 Other than developmental disabilities or other chronic health issues, the Division
41 shall not consider the health of a child as a factor in determining eligibility for participation in
42 the NC Pre-K program.

43 **SECTION 11B.1.(b)** Multiyear Contracts. – The Division of Child Development
44 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for
45 licensed private child care centers providing NC Pre-K classrooms.

46 **SECTION 11B.1.(b1)** Building Standards. – Notwithstanding G.S. 110-91(4),
47 private child care facilities and public schools operating NC Pre-K classrooms shall meet the
48 building standards for preschool students as provided in G.S. 115C-521.1.

49 **SECTION 11B.1.(c)** Programmatic Standards. – Except as provided in subsection
50 (b1) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies

1 prescribed by the Division of Child Development and Early Education regarding programmatic
2 standards and classroom requirements.

3 **SECTION 11B.1.(d)** NC Pre-K Committees. – Local NC Pre-K committees shall
4 use the standard decision-making process developed by the Division of Child Development and
5 Early Education in awarding NC Pre-K classroom slots and student selection.

6 **SECTION 11B.1.(e)** Reporting. – The Division of Child Development and Early
7 Education shall submit an annual report no later than March 15 of each year to the Joint
8 Legislative Oversight Committee on Health and Human Services, the Office of State Budget
9 and Management, and the Fiscal Research Division. The report shall include the following:

10 (1) The number of children participating in the NC Pre-K program by county.

11 (2) The number of children participating in the NC Pre-K program who have
12 never been served in other early education programs such as child care,
13 public or private preschool, Head Start, Early Head Start, or early
14 intervention programs.

15 (3) The expected NC Pre-K expenditures for the programs and the source of the
16 local contributions.

17 (4) The results of an annual evaluation of the NC Pre-K program.

18 **SECTION 11B.1.(f)** Audits. – The administration of the NC Pre-K program by
19 local partnerships shall be subject to the financial and compliance audits authorized under
20 G.S. 143B-168.14(b).

21 22 **STATE AGENCY CONTINUED COLLABORATION ON EARLY CHILDHOOD** 23 **EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN**

24 **SECTION 11B.2.(a)** The Department of Health and Human Services, in
25 consultation with the Department of Public Instruction and any other agencies or organizations
26 that administer, support, or study early education in this State, and within resources currently
27 available, shall continue to collaborate on an ongoing basis in the development and
28 implementation of a statewide vision for early childhood education. In collaborating in this
29 effort, the agencies shall continue developing a comprehensive approach to early childhood
30 education, birth through third grade, including creating cross agency accountability with a
31 comprehensive set of data indicators, including consideration of the NC Pathways to
32 Grade-Level Reading, to monitor and measure success of the early childhood education
33 systems.

34 **SECTION 11B.2.(b)** The Department of Health and Human Services, the
35 Department of Public Instruction, and any other agencies or organizations that administer,
36 support, or study early education programs in this State shall submit a follow-up report of their
37 findings and recommendations, including any legislative proposals, on the statewide vision for
38 early childhood education pursuant to subsection (a) of this section to the Joint Legislative
39 Oversight Committee on Health and Human Services and the Joint Legislative Education
40 Oversight Committee on or before January 1, 2018, and may make any subsequent reports,
41 annually, on or before January 1, as needed to those same committees.

42 **SECTION 11B.2.(c)** The Department of Health and Human Services, in
43 consultation with the Department of Public Instruction, shall continue developing a
44 standardized program to transition children from preschool to kindergarten. In developing this
45 standardized transition program, the Department of Health and Human Services shall identify,
46 at a minimum:

47 (1) Methods to standardize student transition information such that it is
48 quantifiable.

49 (2) Recommendations for sharing data contained in a student's transition plan
50 between preschool teachers and either kindergarten teachers or the schools
51 that receive the incoming kindergarten students.

- (3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.
- (4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.
- (5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.
- (6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.
- (7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

SECTION 11B.2.(d) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018.

CHILD CARE SUBSIDY RATES

SECTION 11B.3.(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 11B.3.(b) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the co-payment shall be eighty-three percent (83%) of the full-time co-payment. Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

SECTION 11B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (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.

- 1 (6) The Department of Health and Human Services shall implement necessary
2 rule changes to restructure services, including, but not limited to, targeting
3 benefits to employment.

4 **SECTION 11B.3.(d)** Provisions of payment rates for child care providers in
5 counties that do not have at least 50 children in each age group for center-based and
6 home-based care are as follows:

- 7 (1) Except as applicable in subdivision (2) of this subsection, payment rates
8 shall be set at the statewide or regional market rate for licensed child care
9 centers and homes.
- 10 (2) If it can be demonstrated that the application of the statewide or regional
11 market rate to a county with fewer than 50 children in each age group is
12 lower than the county market rate and would inhibit the ability of the county
13 to purchase child care for low-income children, then the county market rate
14 may be applied.

15 **SECTION 11B.3.(e)** A market rate shall be calculated for child care centers and
16 homes at each rated license level for each county and for each age group or age category of
17 enrollees and shall be representative of fees charged to parents for each age group of enrollees
18 within the county. The Division of Child Development and Early Education shall also calculate
19 a statewide rate and regional market rate for each rated license level for each age category.

20 **SECTION 11B.3.(f)** The Division of Child Development and Early Education
21 shall continue implementing policies that improve the quality of child care for subsidized
22 children, including a policy in which child care subsidies are paid, to the extent possible, for
23 child care in the higher quality centers and homes only. The Division shall define higher
24 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those
25 counties with an inadequate number of four- and five-star rated facilities, the Division shall
26 continue a transition period that allows the facilities to continue to receive subsidy funds while
27 the facilities work on the increased star ratings. The Division may allow exemptions in counties
28 where there is an inadequate number of four- and five-star rated facilities for non-star rated
29 programs, such as religious programs.

30 **SECTION 11B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
31 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the
32 program that provides for the purchase of care in child care facilities for minor children of
33 needy families. Except as authorized by subsection (f) of this section, no separate licensing
34 requirements shall be used to select facilities to participate. In addition, child care facilities
35 shall be required to meet any additional applicable requirements of federal law or regulations.
36 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of
37 the General Statutes shall meet the requirements established by other State law and by the
38 Social Services Commission.

39 County departments of social services or other local contracting agencies shall not
40 use a provider's failure to comply with requirements in addition to those specified in this
41 subsection as a condition for reducing the provider's subsidized child care rate.

42 **SECTION 11B.3.(h)** Payment for subsidized child care services provided with
43 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations
44 and policies issued by the Division of Child Development and Early Education for the
45 subsidized child care program.

46 **SECTION 11B.3.(i)** Noncitizen families who reside in this State legally shall be
47 eligible for child care subsidies if all other conditions of eligibility are met. If all other
48 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be
49 eligible for child care subsidies only if at least one of the following conditions is met:

- 50 (1) The child for whom a child care subsidy is sought is receiving child
51 protective services or foster care services.

- 1 (2) The child for whom a child care subsidy is sought is developmentally
2 delayed or at risk of being developmentally delayed.
- 3 (3) The child for whom a child care subsidy is sought is a citizen of the United
4 States.

5 **SECTION 11B.3.(j)** The Department of Health and Human Services, Division of
6 Child Development and Early Education, shall require all county departments of social services
7 to include on any forms used to determine eligibility for child care subsidy whether the family
8 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

9 **SECTION 11B.3.(k)** Department of Defense-certified child care facilities licensed
10 pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that
11 provides for the purchase of care in child care facilities for minor children in needy families,
12 provided that funds allocated from the State-subsidized child care program to Department of
13 Defense-certified child care facilities shall supplement and not supplant funds allocated in
14 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose
15 Department of Defense-certified child care facilities and who are eligible to receive subsidized
16 child care shall be as set forth in this section.

17

18 **CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS**

19 **AND COUNTIES**

20 **SECTION 11B.4.(a)** Beginning October 1, 2017, the Department of Health and
21 Human Services, Division of Child Development and Early Education (Division), shall
22 increase the child care subsidy market rates to the rates recommended by the 2015 Child Care
23 Market Rate Study for school-aged children in three-, four-, and five-star-rated child care
24 centers and homes in tier one and tier two counties.

25 **SECTION 11B.4.(b)** Beginning October 1, 2017, the Division shall increase the
26 child care subsidy market rates by seventy percent (70%) of the difference between the current
27 market rates and the rates recommended by the 2015 Child Care Market Rate Study for
28 children birth through two years of age in three-, four-, and five-star-rated child care centers
29 and homes in tier three counties.

30 **SECTION 11B.4.(c)** Beginning July 1, 2018, the Division shall increase the child
31 care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study
32 for children birth through two years of age in three-, four-, and five-star-rated child care centers
33 and homes in tier three counties.

34 **SECTION 11B.4.(d)** For purposes of this section, tier one, tier two, and tier three
35 counties shall have the same designations as those established by the N.C. Department of
36 Commerce's 2015 County Tier Designations.

37

38 **CHILD CARE ALLOCATION FORMULA**

39 **SECTION 11B.5.(a)** The Department of Health and Human Services, Division of
40 Child Development and Early Education (Division), shall allocate child care subsidy voucher
41 funds to pay the costs of necessary child care for minor children of needy families. The
42 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy
43 allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child
44 care subsidy allocation. The Department of Health and Human Services shall use the following
45 method when allocating federal and State child care funds, not including the aggregate
46 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy
47 allocation:

- 48 (1) Funds shall be allocated to a county based upon the projected cost of serving
49 children under age 11 in families with all parents working who earn less than
50 the applicable federal poverty level percentage set forth in Section 11B.3(a)
51 of this act.

1 (2) The Division may withhold up to two percent (2%) of available funds from
2 the allocation formula for (i) preventing termination of services throughout
3 the fiscal year and (ii) repayment of any federal funds identified by counties
4 as overpayments, including overpayments due to fraud. The Division shall
5 allocate to counties any funds withheld before the end of the fiscal year
6 when the Division determines the funds are not needed for the purposes
7 described in this subdivision.

8 (3) The Division shall set aside four percent (4%) of child care subsidy
9 allocations for vulnerable populations, which include a child identified as
10 having special needs and a child whose application for assistance indicates
11 that the child and the child's family is experiencing homelessness or is in a
12 temporary living situation. A child identified by this subdivision shall be
13 given priority for receiving services until such time as set-aside allocations
14 for vulnerable populations are exhausted.

15 **SECTION 11B.5.(b)** The Division may reallocate unused child care subsidy
16 voucher funds in order to meet the child care needs of low-income families. Any reallocation of
17 funds shall be based upon the expenditures of all child care subsidy voucher funding, including
18 North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage
19 service levels within the funds allocated to the counties. A county with a spending coefficient
20 over one hundred percent (100%) shall submit a plan to the Division for managing the county's
21 allocation before receiving any reallocated funds.

22 **SECTION 11B.5.(c)** When implementing the formula under subsection (a) of this
23 section, the Division shall include the market rate increase in the formula process, rather than
24 calculating the increases outside of the formula process. Additionally, the Department shall do
25 the following:

26 (1) Implement the final one-third change in a county's allocation beginning
27 fiscal year 2018-2019. A county's initial allocation shall be the county's
28 expenditure in the previous fiscal year. With the exception of market rate
29 increases consistent with any increases approved by the General Assembly, a
30 county whose spending coefficient is less than ninety-five percent (95%) in
31 the previous fiscal year shall receive its prior year's expenditure as its
32 allocation and shall not receive an increase in its allocation in the following
33 year. A county whose spending coefficient is at least ninety-five percent
34 (95%) in the previous fiscal year shall receive, at a minimum, the amount it
35 expended in the previous fiscal year and may receive additional funding, if
36 available. The Division may waive this requirement and allow an increase if
37 the spending coefficient is below ninety-five percent (95%) due to
38 extraordinary circumstances, such as a State or federal disaster declaration in
39 the affected county. However, effective for the 2018-2019 fiscal year,
40 "extraordinary circumstances" shall only include a State or federal disaster
41 declaration in the affected county or a State directive restricting the
42 expenditure of funds that prohibits the county from meeting the ninety-five
43 percent (95%) spending coefficient. By October 1 of each year, the Division
44 shall report to the Joint Legislative Oversight Committee on Health and
45 Human Services and the Fiscal Research Division the counties that received
46 a waiver pursuant to this subdivision and the reasons for the waiver.

47 (2) Effective immediately following the next new decennial census data release,
48 implement (i) one-third of the change in a county's allocation in the year
49 following the data release, (ii) an additional one-third of the change in a
50 county's allocation beginning two years after the initial change under this

1 subdivision, and (iii) the final one-third change in a county's allocation
2 beginning the following two years thereafter.
3

4 **CODIFY CERTAIN CHILD CARE SUBSIDY PROVISIONS**

5 **SECTION 11B.6.** Article 3 of Chapter 143B of the General Statutes is amended by
6 adding a new Part to read:

7 "Part 10C. Child Care Subsidy.

8 **"§ 143B-168.25. Child care funds matching requirements.**

9 No local matching funds may be required by the Department of Health and Human Services
10 as a condition of any locality's receiving its initial allocation of child care funds appropriated by
11 this act unless federal law requires a match. If the Department reallocates additional funds
12 above twenty-five thousand dollars (\$25,000) to local purchasing agencies beyond their initial
13 allocation, local purchasing agencies must provide a twenty percent (20%) local match to
14 receive the reallocated funds. Matching requirements shall not apply when funds are allocated
15 because of an emergency as defined in G.S. 166A-19.3(6).

16 **"§ 143B-168.26. Child care revolving loan.**

17 Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving
18 Loan Fund may be transferred to and invested by the financial institution contracted to operate
19 the Fund. The principal and any income to the Fund may be used to make loans, reduce loan
20 interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the
21 Fund, or pay the Department's cost of administering the program.

22 **"§ 143B-168.27. Administrative allowance for county departments of social services; use** 23 **of subsidy funds for fraud detection.**

24 (a) The Department of Health and Human Services, Division of Child Development and
25 Early Education (Division), shall fund the allowance that county departments of social services
26 may use for administrative costs at four percent (4%) of the county's total child care subsidy
27 funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand
28 dollars (\$80,000), whichever is greater.

29 (b) Each county department of social services may use up to two percent (2%) of child
30 care subsidy funds allocated to the county for fraud detection and investigation initiatives.

31 (c) The Division may adjust the allocations in the Child Care and Development Fund
32 Block Grant according to (i) the final allocations for local departments of social services under
33 subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation
34 initiatives under subsection (b) of this section. The Division shall submit a report on the final
35 adjustments to the allocations of the four percent (4%) administrative costs to the Joint
36 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
37 Division no later than September 30 of each year."

38

39 **CHILD CARE SUBSIDY RECIPIENTS TO COOPERATE WITH CHILD SUPPORT**

40 **SERVICES**

41 **SECTION 11B.7.(a)** Beginning January 1, 2018, the Department of Health and
42 Human Services, the Division of Child Development and Early Education (DCDEE) and the
43 Division of Social Services (DSS), shall implement the plan developed pursuant to S.L.
44 2015-51 requiring a custodial parent or other relative or person with primary custody of the
45 child who is receiving child care subsidy payments to cooperate with the county child support
46 services program as a condition of receiving child care subsidy payments. DCDEE and DSS
47 shall implement the plan, which shall include, at a minimum, the components described in
48 Section 1(a) of S.L. 2015-51, as well as any criteria DCDEE and DSS identified in its report on
49 the plan as submitted to the Joint Legislative Oversight Committee on Health and Human
50 Services dated February 1, 2016.

1 **SECTION 11B.7.(b)** The Division of Child Development and Early Education and
2 the Division of Social Services shall report on the implementation of the plan to the Joint
3 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
4 Division no later than October 1, 2018.

5
6 **SMART START INITIATIVES**

7 **SECTION 11B.8.(a)** Policies. – The North Carolina Partnership for Children, Inc.,
8 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s
9 mission of improving child care quality in North Carolina for children from birth to five years
10 of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting
11 child care facilities with (i) improving quality, including helping one-, two-, and
12 three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten
13 programs. State funding for local partnerships shall also be used for evidence-based or
14 evidence-informed programs for children from birth to five years of age that do the following:

- 15 (1) Increase children's literacy.
- 16 (2) Increase the parents' ability to raise healthy, successful children.
- 17 (3) Improve children's health.
- 18 (4) Assist four- and five-star-rated facilities in improving and maintaining
19 quality.

20 **SECTION 11B.8.(b)** Administration. – Administrative costs shall be equivalent to,
21 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the
22 total statewide allocation to all local partnerships. For purposes of this subsection,
23 administrative costs shall include costs associated with partnership oversight, business and
24 financial management, general accounting, human resources, budgeting, purchasing,
25 contracting, and information systems management. The North Carolina Partnership for
26 Children, Inc., shall continue using a single statewide contract management system that
27 incorporates features of the required standard fiscal accountability plan described in
28 G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract
29 management system and, directed by the North Carolina Partnership for Children, Inc., to
30 collaborate, to the fullest extent possible, with other local partnerships to increase efficiency
31 and effectiveness.

32 **SECTION 11B.8.(c)** Salaries. – The salary schedule developed and implemented
33 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State
34 funds that may be used for the salary of the Executive Director of the North Carolina
35 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina
36 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 37 (1) The population of the area serviced by a local partnership.
- 38 (2) The amount of State funds administered.
- 39 (3) The amount of total funds administered.
- 40 (4) The professional experience of the individual to be compensated.
- 41 (5) Any other relevant factors pertaining to salary, as determined by the North
42 Carolina Partnership for Children, Inc.

43 The salary schedule shall be used only to determine the maximum amount of State
44 funds that may be used for compensation. Nothing in this subsection shall be construed to
45 prohibit a local partnership from using non-State funds to supplement an individual's salary in
46 excess of the amount set by the salary schedule established under this subsection.

47 **SECTION 11B.8.(d)** Match Requirements. – The North Carolina Partnership for
48 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one
49 hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the
50 2017-2019 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the
51 local partnerships are required to match, contributions of cash shall be equal to at least thirteen

1 percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%)
2 for a total match requirement of nineteen percent (19%) for each year of the 2017-2019 fiscal
3 biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in
4 excess of the required match for a fiscal year in order to meet the match requirement of the
5 succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the
6 in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the
7 purpose of the match requirement of this subsection. Volunteer services that qualify as
8 professional services shall be valued at the fair market value of those services. All other
9 volunteer service hours shall be valued at the statewide average wage rate as calculated from
10 data compiled by the Division of Employment Security of the Department of Commerce in the
11 Employment and Wages in North Carolina Annual Report for the most recent period for which
12 data are available. Expenses, including both those paid by cash and in-kind contributions,
13 incurred by other participating non-State entities contracting with the North Carolina
14 Partnership for Children, Inc., or the local partnerships also may be considered resources
15 available to meet the required private match. In order to qualify to meet the required private
16 match, the expenses shall:

- 17 (1) Be verifiable from the contractor's records.
- 18 (2) If in-kind, other than volunteer services, be quantifiable in accordance with
19 generally accepted accounting principles for nonprofit organizations.
- 20 (3) Not include expenses funded by State funds.
- 21 (4) Be supplemental to and not supplant preexisting resources for related
22 program activities.
- 23 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and
24 be necessary and reasonable for the proper and efficient accomplishment of
25 the Program's objectives.
- 26 (6) Be otherwise allowable under federal or State law.
- 27 (7) Be required and described in the contractual agreements approved by the
28 North Carolina Partnership for Children, Inc., or the local partnership.
- 29 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local
30 partnership by the contractor in the same manner as reimbursable expenses.

31 Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the
32 2017-2019 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for
33 the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc.,
34 shall be responsible for compiling information on the private cash and in-kind contributions
35 into a report that is submitted to the Joint Legislative Oversight Committee on Health and
36 Human Services in a format that allows verification by the Department of Revenue. The same
37 match requirements shall apply to any expansion funds appropriated by the General Assembly.

38 **SECTION 11B.8.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,
39 and all local partnerships shall use competitive bidding practices in contracting for goods and
40 services on contract amounts as follows:

- 41 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
42 specified by a written policy as developed by the Board of Directors of the
43 North Carolina Partnership for Children, Inc.
- 44 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen
45 thousand dollars (\$15,000), three written quotes.
- 46 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than
47 forty thousand dollars (\$40,000), a request for proposal process.
- 48 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
49 proposal process and advertising in a major newspaper.

1 **SECTION 11B.8.(f)** Allocations. – The North Carolina Partnership for Children,
2 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the
3 2012-2013 funding level.

4 **SECTION 11B.8.(g)** Performance-Based Evaluation. – The Department of Health
5 and Human Services shall continue to implement the performance-based evaluation system.

6 **SECTION 11B.8.(h)** Expenditure Restrictions. – The Department of Health and
7 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the
8 allocation of funds for Early Childhood Education and Development Initiatives for the
9 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

10 (1) Capital expenditures are prohibited for the 2017-2019 fiscal biennium. For
11 the purposes of this section, "capital expenditures" means expenditures for
12 capital improvements as defined in G.S. 143C-1-1(d)(5).

13 (2) Expenditures of State funds for advertising and promotional activities are
14 prohibited for the 2017-2019 fiscal biennium.

15 For the 2017-2019 fiscal biennium, local partnerships shall not spend any State funds on
16 marketing campaigns, advertising, or any associated materials. Local partnerships may spend
17 any private funds the local partnerships receive on those activities.

18 19 **SMART START EARLY LITERACY INITIATIVE/DOLLY PARTON'S** 20 **IMAGINATION LIBRARY**

21 **SECTION 11B.9.(a)** Funds allocated to the North Carolina Partnership for
22 Children, Inc., from the Department of Health and Human Services, shall be used to increase
23 access to Dolly Parton's Imagination Library, an early literacy program that mails
24 age-appropriate books on a monthly basis to children registered for the program, with the intent
25 that, upon full implementation, access to the program shall be statewide.

26 **SECTION 11B.9.(b)** The North Carolina Partnership for Children, Inc., may use
27 up to two percent (2%) of the funds for program evaluation. Funds appropriated under this
28 section shall not be subject to administrative costs requirements under Section 11B.8(b) of this
29 act, nor shall these funds be subject to the child care services funding requirements under
30 G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g),
31 or the match requirements under Section 11B.8(d) of this act.

32 **SECTION 11B.9.(c)** The North Carolina Partnership for Children, Inc., shall report
33 on the success of the early literacy initiative, including any recommendations, to the Joint
34 Legislative Oversight Committee on Health and Human Services by March 1, 2018. The report
35 shall include participation rates for Dolly Parton's Imagination Library.

36 37 **SUBPART XI-C. DIVISION OF SOCIAL SERVICES**

38 39 **TANF BENEFIT IMPLEMENTATION**

40 **SECTION 11C.1.(a)** The General Assembly approves the plan titled "North
41 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019," prepared by the
42 Department of Health and Human Services and presented to the General Assembly. The North
43 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,
44 2016, through September 30, 2019. The Department shall submit the State Plan, as revised in
45 accordance with subsection (b) of this section, to the United States Department of Health and
46 Human Services.

47 **SECTION 11C.1.(b)** The counties approved as Electing Counties in the North
48 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019, as approved by
49 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

50 **SECTION 11C.1.(c)** Counties that submitted the letter of intent to remain as an
51 Electing County or to be redesignated as an Electing County and the accompanying county plan

1 for years 2016 through 2019, pursuant to G.S. 108A-27(e), shall operate under the Electing
2 County budget requirements effective July 1, 2017. For programmatic purposes, all counties
3 referred to in this subsection shall remain under their current county designation through
4 September 30, 2019.

5 **SECTION 11C.1.(d)** For each year of the 2017-2019 fiscal biennium, Electing
6 Counties shall be held harmless to their Work First Family Assistance allocations for the
7 2015-2016 fiscal year, provided that remaining funds allocated for Work First Family
8 Assistance and Work First Diversion Assistance are sufficient for payments made by the
9 Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

10 **SECTION 11C.1.(e)** In the event that departmental projections of Work First
11 Family Assistance and Work First Diversion Assistance for the 2017-2018 fiscal year or the
12 2018-2019 fiscal year indicate that remaining funds are insufficient for Work First Family
13 Assistance and Work First Diversion Assistance payments to be made on behalf of Standard
14 Counties, the Department is authorized to deallocate funds, of those allocated to Electing
15 Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11,
16 up to the requisite amount for payments in Standard Counties. Prior to deallocation, the
17 Department shall obtain approval by the Office of State Budget and Management. If the
18 Department adjusts the allocation set forth in subsection (d) of this section, then a report shall
19 be made to the Joint Legislative Oversight Committee on Health and Human Services and the
20 Fiscal Research Division.

21 22 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 23 **PERFORMANCE ENHANCEMENTS**

24 **SECTION 11C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
25 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
26 children and families in cases of abuse, neglect, and dependency where a child is at imminent
27 risk of removal from the home and to children and families in cases of abuse where a child is
28 not at imminent risk of removal. The Program shall be developed and implemented statewide
29 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria
30 for determining imminent risk and clear criteria for determining out-of-home placement.

31 **SECTION 11C.2.(b)** The Department of Health and Human Services shall require
32 that any program or entity that receives State, federal, or other funding for the purpose of IFPS
33 shall provide information and data that allows for the following:

- 34 (1) An established follow-up system with a minimum of six months of
35 follow-up services.
- 36 (2) Detailed information on the specific interventions applied, including
37 utilization indicators and performance measurement.
- 38 (3) Cost-benefit data.
- 39 (4) Data on long-term benefits associated with IFPS. This data shall be obtained
40 by tracking families through the intervention process.
- 41 (5) The number of families remaining intact and the associated interventions
42 while in IFPS and 12 months thereafter.
- 43 (6) The number and percentage, by race, of children who received IFPS
44 compared to the ratio of their distribution in the general population involved
45 with Child Protective Services.

46 **SECTION 11C.2.(c)** The Department shall establish a performance-based funding
47 protocol and shall only provide funding to those programs and entities providing the required
48 information specified in subsection (b) of this section. The amount of funding shall be based on
49 the individual performance of each program.

50 51 **CHILD CARING INSTITUTIONS**

1 **SECTION 11C.3.** Until the Social Services Commission adopts rules setting
2 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the
3 maximum reimbursement for child caring institutions shall not exceed the rate established for
4 the specific child caring institution by the Department of Health and Human Services, Office of
5 the Controller. In determining the maximum reimbursement, the State shall include county and
6 IV-E reimbursements.

7
8 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

9 **SECTION 11C.4.** Of the funds available for the provision of foster care services,
10 the Department of Health and Human Services, Division of Social Services, may continue to
11 provide for the financial support of children who are deemed to be (i) in a permanent family
12 placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive
13 permanency. No additional expenses shall be incurred beyond the funds budgeted for foster
14 care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program
15 (GAP) shall include provisions for extending guardianship services for individuals who have
16 attained the age of 18 years and opt to continue to receive guardianship services until reaching
17 21 years of age if the individual is (i) completing secondary education or a program leading to
18 an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational
19 education, (iii) participating in a program or activity designed to promote, or remove barriers
20 to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing
21 the educational or employment requirements of this section due to a medical condition or
22 disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for
23 room and board and be set at the same rate as the foster care room and board rates in
24 accordance with rates established under G.S. 108A-49.1.

25
26 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

27 **SECTION 11C.5.(a)** Funds appropriated from the General Fund to the Department
28 of Health and Human Services for the child welfare postsecondary support program shall be
29 used to continue providing assistance with the "cost of attendance" as that term is defined in 20
30 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system
31 and special needs children adopted from foster care after age 12. These funds shall be allocated
32 by the State Education Assistance Authority.

33 **SECTION 11C.5.(b)** Of the funds appropriated from the General Fund to the
34 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the
35 2017-2018 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2018-2019 fiscal
36 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).
37 The SEAA shall use these funds only to perform administrative functions necessary to manage
38 and distribute scholarship funds under the child welfare postsecondary support program.

39 **SECTION 11C.5.(c)** Of the funds appropriated from the General Fund to the
40 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four
41 hundred ninety-three dollars (\$339,493) for the 2017-2018 fiscal year and the sum of three
42 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2018-2019
43 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary
44 support program described under subsection (a) of this section, which administration shall
45 include the performance of case management services.

46 **SECTION 11C.5.(d)** Funds appropriated to the Department of Health and Human
47 Services for the child welfare postsecondary support program shall be used only for students
48 attending public institutions of higher education in this State.

49
50 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

1 **SECTION 11C.6.(a)** Centralized Services. – The North Carolina Child Support
2 Services Section (NCCSS) of the Department of Health and Human Services, Division of
3 Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive
4 payments it receives from the federal government to enhance centralized child support services.
5 To accomplish this requirement, NCCSS shall do the following:

- 6 (1) In consultation with representatives from county child support services
7 programs, identify how federal incentive funding could improve centralized
8 services.
- 9 (2) Use federal incentive funds to improve the effectiveness of the State's
10 centralized child support services by supplementing and not supplanting
11 State expenditures for those services.
- 12 (3) Develop and implement rules that explain the State process for calculating
13 and distributing federal incentive funding to county child support services
14 programs.

15 **SECTION 11C.6.(b)** County Child Support Services Programs. – NCCSS shall
16 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it
17 receives from the federal government to county child support services programs to improve
18 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall
19 do the following:

- 20 (1) In consultation with representatives from county child support services
21 programs, examine the current methodology for distributing federal
22 incentive funding to the county programs and determine whether an
23 alternative formula would be appropriate. NCCSS shall use its current
24 formula for distributing federal incentive funding until an alternative
25 formula is adopted.
- 26 (2) Upon adopting an alternative formula, develop a process to phase in the
27 alternative formula for distributing federal incentive funding over a
28 four-year period.

29 **SECTION 11C.6.(c)** Reporting by County Child Support Services Programs. –
30 NCCSS shall continue implementing guidelines that identify appropriate uses for federal
31 incentive funding. To ensure those guidelines are properly followed, NCCSS shall require
32 county child support services programs to comply with each of the following:

- 33 (1) Submit an annual plan describing how federal incentive funding would
34 improve program effectiveness and efficiency as a condition of receiving
35 federal incentive funding.
- 36 (2) Report annually on the following: (i) how federal incentive funding has
37 improved program effectiveness and efficiency and been reinvested into
38 their programs, (ii) provide documentation that the funds were spent
39 according to their annual plans, and (iii) explain any deviations from their
40 plans.

41 **SECTION 11C.6.(d)** Reporting by NCCSS. – NCCSS shall submit a report on
42 federal child support incentive funding to the Joint Legislative Oversight Committee on Health
43 and Human Services and the Fiscal Research Division by November 1 of each year. The report
44 shall describe how federal incentive funds enhanced centralized child support services to
45 benefit county child support services programs and improved the effectiveness and efficiency
46 of county child support services programs. The report shall further include any changes to the
47 State process the NCCSS used in calculating and distributing federal incentive funding to
48 county child support services programs and any recommendations for further changes.

50 **CHILD WELFARE SYSTEM CHANGES**

1 **SECTION 11C.7.(a)** Federal Improvement Plan Implementation. – The
2 Department of Health and Human Services, Division of Social Services, shall continue
3 implementing the requirements of the federal Program Improvement Plan to bring our State
4 into compliance with national standards for child welfare policy and practices. The Division
5 shall collaborate with county departments of social services to develop a model of oversight
6 that supports program outcomes and a county's ability to meet performance standards as
7 outlined in the Program Improvement Plan. Oversight may include support for continuous
8 quality improvement, staff training, and data analysis.

9 The Division shall report on the implementation and outcomes of the Program
10 Improvement Plan to the Joint Legislative Oversight Committee on Health and Human
11 Services. The report shall be submitted semiannually on February 1 and August 1 of each year,
12 with a final report on February 1, 2019.

13 **SECTION 11C.7.(b)** Child Welfare/NC FAST. – The Department of Health and
14 Human Services, Division of Social Services, shall continue toward completion of the child
15 welfare component of the North Carolina Families Accessing Services Through Technology
16 (NC FAST) system to (i) bring the State into compliance with the Statewide Information
17 System systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that
18 data quality meets federal standards and adequate information is collected and available to
19 counties to assist in tracking children and outcomes across counties.

20 It is the intent of the General Assembly that the child welfare component of the NC
21 FAST system be operational by December 31, 2017. To that end, the Department of Health and
22 Human Services, Division of Social Services, shall report on the development, implementation,
23 and outcomes of the child welfare component of the NC FAST system to the Joint Legislative
24 Oversight Committee on Health and Human Services quarterly through February 1, 2018. The
25 report shall include, at a minimum, each of the following:

- 26 (1) The current time line for development and implementation of the child
27 welfare component to NC FAST.
- 28 (2) Any adjustments and justifications for adjustments to the time line.
- 29 (3) Progress on the development and implementation of the system.
- 30 (4) Address any identified issues in developing or implementing the child
31 welfare component to NC FAST and solutions to address those issues.
- 32 (5) The level of county participation and involvement in each phase of the
33 project.
- 34 (6) Any budget and expenditure reports, including overall project budget and
35 expenditures, and current fiscal year budget and expenditures.

36 37 **INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL ELIGIBLE** 38 **SENIORS**

39 **SECTION 11C.8.(a)** The Department of Health and Human Services, Division of
40 Social Services (Division), shall continue implementing an evidence-based pilot program to
41 increase access to public benefits for seniors aged 65 and older who are dually enrolled in
42 Medicare and Medicaid to (i) improve the health and independence of seniors and (ii) reduce
43 health care costs. The Division shall continue to partner with a not-for-profit firm for the
44 purposes of engaging in a data-driven campaign to help seniors aged 65 and older who are
45 dually enrolled in Medicare and Medicaid meet their basic social needs. The not-for-profit firm
46 shall have demonstrated experience in assisting with these types of services and the partnership
47 shall accomplish each of the following:

- 48 (1) Identify, through data sharing, dual eligible seniors aged 65 and older who
49 qualify for the Supplemental Nutrition and Assistance Program (SNAP) but
50 are not currently enrolled.

- 1 (2) Conduct an outreach program toward those seniors for the purpose of
- 2 enrolling them into SNAP.
- 3 (3) Provide comprehensive application assistance through outreach specialists to
- 4 complete public benefits application processes.
- 5 (4) Evaluate project effectiveness and explore how data can be utilized to
- 6 achieve optimal outcomes.
- 7 (5) Make recommendations regarding policy options available to the State to
- 8 streamline access to benefits.

9 **SECTION 11C.8.(b)** The Division shall report to the Office of the Governor and
10 the Joint Legislative Oversight Committee on Health and Human Services on its progress in the
11 pilot program by February 1 following each year the pilot program is in place. The report shall,
12 at a minimum, include the following:

- 13 (1) The number of seniors age 65 and older who are dual eligibles but are not
- 14 enrolled in SNAP.
- 15 (2) The number of those identified that would be included in the sample
- 16 population.
- 17 (3) Methods of outreach toward those seniors in the sample population.
- 18 (4) Number of to date enrollments in SNAP as a direct result of outreach during
- 19 the pilot program.
- 20 (5) Participation rate to date in SNAP of those seniors in the sample population.
- 21 (6) Any other findings the Division deems relevant.

22 **SECTION 11C.8.(c)** Any nonrecurring funds remaining in the 2016-2017 fiscal
23 year from implementation of the pilot program under this section shall not revert, but shall
24 remain available for continued implementation of the pilot program, along with any private or
25 nonprofit funding provided to the Division for use in the pilot program. If funding and capacity
26 exist, the Division of Social Services may expand the pilot program to include other public
27 benefits programs.

28
29 **SUCCESSFUL TRANSITION/FOSTER CARE YOUTH/PERMANENCY**
30 **INNOVATION INITIATIVE TECHNICAL CHANGE**

31 **SECTION 11C.9.(a)** There is created the Foster Care Transitional Living Initiative
32 Fund to fund and support transitional living services that demonstrate positive outcomes for
33 youth, attract significant private sector funding, and lead to the development of evidence-based
34 programs to serve the at-risk population described in this section. The Fund shall support a
35 demonstration project with services provided by Youth Villages to (i) improve outcomes for
36 youth ages 17-21 years who transition from foster care through implementation of
37 outcome-based Transitional Living Services, (ii) identify cost-savings in social services and
38 juvenile and adult correction services associated with the provision of Transitional Living
39 Services to youth aging out of foster care, and (iii) take necessary steps to establish an
40 evidence-based transitional living program available to all youth aging out of foster care. In
41 implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the
42 following strategies:

- 43 (1) Transitional Living Services, which is an outcome-based program that
- 44 follows the Youth Villages Transitional Living Model. Outcomes on more
- 45 than 7,000 participants have been tracked since the program's inception. The
- 46 program has been evaluated through an independent Randomized Controlled
- 47 Trial. Results indicate that Youth Villages Transitional Living Model had
- 48 positive impacts in a variety of areas, including housing stability, earnings,
- 49 economic hardship, mental health, and intimate partner violence in
- 50 comparison to the control population.

- 1 (2) Public-Private Partnership, which is a commitment by private-sector funding
 2 partners to match one hundred percent (100%) of the funds appropriated to
 3 the Foster Care Transitional Living Initiative Fund for the 2017-2019 fiscal
 4 biennium for the purposes of providing Transitional Living Services through
 5 the Youth Villages Transitional Living Model to youth aging out of foster
 6 care.
- 7 (3) Impact Measurement and Evaluation, which are services funded through
 8 private partners to provide independent measurement and evaluation of the
 9 impact the Youth Villages Transitional Living Model has on the youth
 10 served, the foster care system, and on other programs and services provided
 11 by the State which are utilized by former foster care youth.
- 12 (4) Advancement of Evidence-Based Process, which is the implementation and
 13 ongoing evaluation of the Youth Villages Transitional Living Model for the
 14 purposes of establishing the first evidence-based transitional living program
 15 in the nation. To establish the evidence-based program, additional
 16 randomized controlled trials may be conducted to advance the model.

17 **SECTION 11C.9.(b)** G.S. 131D-10.9A(c) reads as rewritten:

18 "(c) Purpose and Powers. – The Committee shall:

- 19 (1) Design and implement a data tracking methodology to collect and analyze
 20 information to gauge the success of the initiative established under this
 21 section as well as ~~an initiative~~any initiatives for foster care youth
 22 transitioning to ~~adulthood in accordance with Part 3 of this~~
 23 ~~Article~~adulthood.
- 24 (2) Develop a methodology to identify short- and long-term cost-savings in the
 25 provision of foster care and foster care transitional living services and any
 26 potential reinvestment strategies.
- 27 (3) Oversee program implementation to ensure fidelity to the program models
 28 identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a) and under~~
 29 ~~subdivisions (1) through (4) of G.S. 131D-10.9G(a).~~G.S. 131D-10.9B(a).
- 30 (4) Study, review, and recommend other policies and services that may
 31 positively impact permanency, well-being outcomes, and youth aging out of
 32 the foster care system."
 33

34 **FINAL REPORT/EASTERN BAND OF CHEROKEE INDIANS ASSUMPTION OF**
 35 **SERVICES**

36 **SECTION 11C.10.(a)** The Department of Health and Human Services, Division of
 37 Social Services, shall submit a final report to the Joint Legislative Oversight Committee on
 38 Health and Human Services on the assumption of certain services by the Eastern Band of
 39 Cherokee Indians as implemented pursuant to Section 12C.10 of S.L. 2015-241, as amended by
 40 Section 12C.2 of S.L. 2016-94, when implementation is complete.

41 **SECTION 11C.10.(b)** Section 12C.10(h) of S.L. 2015-241 is repealed.
 42

43 **ELIGIBILITY REFORM/SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM**
 44 **(SNAP)**

45 **SECTION 11C.11.** G.S. 108A-52 reads as rewritten:

46 "**§ 108A-52. Determination of ~~eligibility~~eligibility; cooperation with child support**
 47 **program as a condition of eligibility; limitation on categorical eligibility.**

48 (a) Any person who believes that he or another person is eligible to receive electronic
 49 food and nutrition benefits may apply for such assistance to the county department of social
 50 services in the county in which the applicant resides. The application shall be made in such
 51 form and shall contain such information as the Social Services Commission may require. Upon

1 receipt of an application for electronic food and nutrition benefits, the county department of
2 social services shall make a prompt evaluation or investigation of the facts alleged in the
3 application in order to determine the applicant's eligibility for such assistance and to obtain
4 such other information as the Department may require. Upon the completion of such
5 investigation, the county department of social services shall, within a reasonable period of time,
6 determine eligibility.

7 (b) The Department shall require applicants for electronic food and nutrition benefits to
8 cooperate with the Child Support Enforcement Program in accordance with Article 9 of
9 Chapter 110 of the General Statutes as a condition of eligibility for food and nutrition benefits
10 pursuant to 7 C.F.R. § 273.11(o) and (p).

11 (c) Notwithstanding any provision of law to the contrary, the Department shall not
12 grant a person categorical eligibility under 7 U.S.C. § 2014(a) for the food and nutrition
13 services program based on noncash, in-kind, or other benefit unless expressly required by
14 federal law."

15 16 **FAMILY AND CHILD PROTECTION AND ACCOUNTABILITY ACT**

17 18 **REGIONAL SOCIAL SERVICES DEPARTMENTS; WORKING GROUP**

19 **SECTION 11C.12.(a)** Transition to Regional Social Services Departments. – The
20 Department of Health and Human Services (Department) shall develop a plan for regional
21 organization, administration, and governance of the social services system in North Carolina.
22 The plan shall recommend a system of public authorities that includes no more than 30 regions
23 and is operational no later than January 1, 2022. The plan will have the effect of transforming
24 North Carolina's State-supervised, county-administered system into a State-supervised,
25 regionally administered system. It is essential that the plan reflect the interests of all
26 stakeholders involved with the current system. The Department shall develop a preliminary
27 plan and a final plan as follows:

- 28 (1) Preliminary plan. – The Department shall prepare a preliminary plan that
29 incorporates recommendations submitted to the Department by the Social
30 Services Regionalization Working Group created under subsection (b) of
31 this section. In developing the preliminary plan, the Department shall
32 implement a process for soliciting stakeholder input on the plan. The
33 Department shall submit the preliminary plan to the Joint Legislative
34 Oversight Committee on Health and Human Services by January 15, 2019.
- 35 (2) Final plan. – The Department shall revise the preliminary plan to incorporate
36 changes based on information it receives from stakeholders. The
37 Department's plan shall include a proposed time line for completing the
38 transition to a regional social services system by January 1, 2022. The
39 Department shall submit the Department's plan for consideration to the Joint
40 Legislative Oversight Committee on Health and Human Services
41 (Committee) by March 31, 2019. However, the Department shall not
42 implement the final plan without an act by the General Assembly.

43 **SECTION 11C.12.(b)** Social Services Regionalization Working Group. – The
44 School of Government at the University of North Carolina at Chapel Hill (SOG) shall convene
45 a Social Services Regionalization Working Group (Working Group) to make recommendations
46 to the Department regarding the preliminary plan for regionalization.

47 **SECTION 11C.12.(c)** Composition. – The Working Group shall consist of the
48 following members:

- 49 (1) Three members of the Senate appointed by the President Pro Tempore of the
50 Senate, one of whom shall be designated as a cochair.

- 1 (2) Three members of the House of Representatives appointed by the Speaker of
2 the House of Representatives, one of whom shall be designated as a cochair.
- 3 (3) Three representatives from the Department of Health and Human Services
4 appointed by the Secretary of Health and Human Services or the Secretary's
5 designee.
- 6 (4) One designee of the Chief Justice of the North Carolina Supreme Court,
7 appointed by the Chief Justice.
- 8 (5) Four county commissioners representing the North Carolina Association of
9 County Commissioners (NCACC), each of whom shall represent different
10 regions of the State, appointed by the Director of the NCACC.
- 11 (6) Two representatives from the North Carolina Association of County
12 Directors of Social Services (NCACDSS), appointed by the Director of the
13 NCACDSS.
- 14 (7) One representative from the North Carolina Association of Social Services
15 Attorneys (NCASSA), appointed by the Director of the NCASSA.

16 **SECTION 11C.12.(d)** Ad Hoc Subcommittees. – The cochairs may, at their
17 discretion, establish ad hoc subcommittees involving experts and representatives of stakeholder
18 organizations to provide information and offer recommendations related to their areas of
19 expertise and interest. Experts and organizations may include:

- 20 (1) Social Services Commission.
- 21 (2) North Carolina Association of County Boards of Social Services.
- 22 (3) Guardian ad Litem program.
- 23 (4) Office of Indigent Defense Services.
- 24 (5) North Carolina Partnership for Children, Inc.
- 25 (6) Disability Rights of North Carolina.
- 26 (7) Benchmarks NC.
- 27 (8) North Carolina Association of Local Health Directors.
- 28 (9) North Carolina Council of Community Programs.
- 29 (10) North Carolina Emergency Management Association.
- 30 (11) North Carolina Child Support Council.
- 31 (12) North Carolina Pediatric Society.
- 32 (13) AARP North Carolina.
- 33 (14) County commissioners representing jurisdictions that have diverse
34 geographic, socioeconomic, and demographic characteristics.
- 35 (15) Directors and administrators of consolidated human services agencies.
- 36 (16) Other experts or stakeholders identified by the cochairs.

37 **SECTION 11C.12.(e)** Duties. – The Working Group shall develop
38 recommendations for the regionalization plan required by subsection (a) of this section. At a
39 minimum, the recommendations shall:

- 40 (1) Focus on the need to improve service delivery, enhance the quality of
41 services provided, increase efficiency and accuracy, and promote uniformity
42 of service availability and delivery across the State.
- 43 (2) Specify the services a regional agency would be required and authorized to
44 provide and the functions it would be required and authorized to perform.
- 45 (3) Identify factors to consider when establishing the size of the regions,
46 including (i) the need to ensure that the size of the region allows the region
47 to maintain a direct, local connection with the jurisdictions it serves and (ii)
48 the cultural differences and similarities between regions.
- 49 (4) Propose a regional system that provides for centralized administrative
50 operations that are geographically located in one county but preserves a

- 1 physical presence for delivery of social services in every county served by
2 the region.
- 3 (5) Strive to align the new regions with both county borders and judicial districts
4 in order to ensure seamless connections between child welfare, adult
5 protective services, child support enforcement, and the judicial system.
- 6 (6) Consider the implications of making the regional agencies public authorities,
7 as defined in G.S. 159-7(b)(10), and identify policy and administrative
8 issues that would need to be addressed in legislation when creating the
9 authorities.
- 10 (7) Identify one or more options for maintaining county contributions to social
11 services programs at appropriate levels to ensure adequate services are
12 available throughout the region and each county in a region is financially
13 accountable for the proportion of services provided in that county.
- 14 (8) Propose a governance structure for the regional agencies that, at a minimum,
15 requires a governing board, outlines the process for appointing board
16 members, and requires at least one county commissioner from each county
17 within the region to serve on a governing board.
- 18 (9) Propose powers and duties of the governing board, which shall include the
19 authority to hire and supervise the director of the regional agency.
- 20 (10) Consider the leadership needs for the regional agencies, including the
21 minimum qualifications for the agency director as well as the necessary
22 powers and duties of the director.
- 23 (11) Propose safeguards to ensure that the regional agencies maintain effective
24 working relationships with the other human services agencies and
25 stakeholders serving the same counties.
- 26 (12) Consider the implications of having personnel of the regional agencies
27 exempt from or subject to Chapter 126 of the General Statutes.
- 28 (13) Consider the implications of regionalization of social services for counties
29 that have established consolidated human services agencies pursuant to
30 G.S. 153A-77 and explore options for integrating regionalized
31 administration into the framework of consolidated agencies, granting
32 exemptions to regionalization for consolidated agencies, authorizing regional
33 consolidated human services agencies, and reversing consolidations.

34 **SECTION 11C.12.(f)** Report. – The Working Group shall submit an interim report
35 to the Joint Legislative Oversight Committee on Health and Human Services (Committee) no
36 later than June 30, 2018. After receiving the interim report, the Committee may terminate the
37 Working Group if it concludes that the Working Group is not making sufficient progress. The
38 Working Group shall submit a final report, including its recommendations in accordance with
39 subsection (d) of this section, to the Committee and the Department of Health and Human
40 Services by December 1, 2018.

41 **SECTION 11C.12.(g)** Role of the School of Government. – The School of
42 Government at the University of North Carolina at Chapel Hill shall assist the Working Group
43 as follows:

- 44 (1) Convene and facilitate meetings.
45 (2) Provide necessary clerical and administrative support.
46 (3) Prepare the Working Group's preliminary and final reports.
47 (4) Provide technical assistance, as appropriate.

48 **SECTION 11C.12.(h)** SOG Funds. – Of the funds appropriated in this act to the
49 Department of Health and Human Services, the sum of forty-eight thousand four hundred
50 dollars (\$48,400) for the 2017-2018 fiscal year and the sum of twenty-five thousand seven
51 hundred dollars (\$25,700) for the 2018-2019 fiscal year shall be allocated to the School of

1 Government at the University of North Carolina at Chapel Hill for its role in assisting in
2 developing the regionalization plan under this section.

3 **SECTION 11C.12.(i)** Working Group Funds. – Of the funds appropriated in this
4 act to the Department of Health and Human Services, the sum of thirty-eight thousand
5 thirty-nine dollars (\$38,039) for the 2017-2018 fiscal year and the sum of sixteen thousand
6 three hundred three dollars (\$16,303) for the 2018-2019 fiscal year for reimbursement costs
7 associated with duties of the Working Group.

8
9 **REFORMING STATE SUPERVISION AND ACCOUNTABILITY OF THE STATE'S**
10 **CHILD WELFARE SYSTEM**

11 **SECTION 11C.12.(j)** The Office of State Budget and Management, in consultation
12 with the Department of Health and Human Services, shall develop and issue a request for
13 proposal (RFP) no later than January 15, 2018, to contract with a third-party organization to
14 evaluate the State's child welfare system, develop a plan for reforming the system in order to
15 improve outcomes for children and enhance State supervision of local administration, and
16 provide ongoing evaluation and oversight of the agency's implementation of child welfare
17 reform. In developing the implementation plan, the organization shall engage the services of
18 national technical advisors with broad expertise and experience in implementing large-scale,
19 systemic child welfare reform. The organization, along with national technical advisors, shall
20 undertake a comprehensive, diagnostic assessment of the State's child welfare system,
21 including its points of contact with other child-serving State systems, and develop a plan for
22 reforming the system to include, at a minimum, the following child welfare activities:

- 23 (1) Child Protective Services (CPS), including receiving reports and
24 investigating allegations of child abuse, neglect, or dependency.
- 25 (2) Preventive and in-home services that provide struggling families with
26 needed supports and treatment to prevent removal of the children from the
27 home.
- 28 (3) Child fatality oversight, including a review of the existing structure,
29 communication, and effectiveness of the Community Child Protection
30 Teams, the Child Fatality Prevention Team, and use of Citizen Review
31 Panels. Oversight shall also include identification of systemic problems in
32 the child welfare system that may increase risk of harm or death to a child
33 and implementation of timely and appropriate systemic reforms following a
34 child fatality.
- 35 (4) Placement of children in foster care and other out-of-home settings.
- 36 (5) Services provided to children, youth, and parents involved with child welfare
37 to achieve reunification of families.
- 38 (6) Efforts to achieve permanency for children either through reunification with
39 family, legal guardianship or custody, or adoption.
- 40 (7) Provision of health care, mental health, and educational services to children
41 and families involved with the child welfare system.
- 42 (8) Services provided to older youth in foster care and to those who have aged
43 out of foster care.

44 **SECTION 11C.12.(k)** In addition to the requirements under subsection (j) of this
45 section, the child welfare reform plan shall propose critical changes, as needed, to the major
46 structural components of the State's child welfare system, including each of the following:

- 47 (1) Visioning and an overarching strategic direction for the Department of
48 Health and Human Services, Division of Social Services.
- 49 (2) Collection, analysis, and effective use of data.
- 50 (3) Leadership and governance at the State level.

- 1 (4) Changes necessary to ensure well-trained and adequately compensated staff
2 to improve performance and reduce turnover.
- 3 (5) Practice and implementation, including:
4 a. Ensuring a statewide, trauma-informed, culturally competent,
5 family-centered practice framework.
6 b. Incorporating more evidence-based practices, including
7 evidence-informed prevention services designed to reduce the
8 number of children entering foster care.
9 c. Specifying expectations regarding professional development,
10 training, and performance standards.
11 d. Eliminating unnecessary barriers to licensing foster care and
12 therapeutic foster care families to ensure an adequate supply of
13 qualified families.
14 e. Improving provider and foster parent feedback loops. For purposes of
15 this sub-subdivision, "feedback loops" refers to a situation in which a
16 portion of the output of a situation is used for new input.
17 f. Performing time use and salary surveys for Division of Social
18 Services staff.
19 g. Promoting relationship-building across agencies and providers.
20 h. Implementing family supports for adoptions, which includes (i)
21 collecting data on the incidence of disrupted adoptions and unlawful
22 transference of children in North Carolina, (ii) the outcomes for
23 children and families associated with disrupted adoptions, and (iii)
24 the provision of supports needed to assist families at risk of
25 disruption in order to keep those families together.
26 i. Maintaining sibling groups, in accordance with the "Fostering
27 Connections to Success and Increasing Adoptions Act of 2008."
28 j. Developing a statewide, standardized functional assessment to be
29 used for case planning, service referrals, and enhancing
30 executive-level decision making around resource allocation and other
31 system reform efforts.
- 32 (6) Consistent, standardized continuous quality improvement (CQI) at the State
33 and county levels.
- 34 (7) Analysis and alignment of policies and procedures to support and accelerate
35 system reform, focusing on sustainable change that will improve outcomes
36 for children and families.

37 **SECTION 11C.12.(l)** In developing the child welfare reform plan pursuant to this
38 section, the organization shall do each of the following:

- 39 (1) Ensure the plan complies with the requirements of the federal Child and
40 Family Services Review Program Improvement Plan effective January 1,
41 2017.
- 42 (2) Consult with the Social Service Regionalization Working Group on the
43 development of the regionalization plan and offer recommendations
44 appropriate to align the regionalization plan with the child welfare reform
45 plan.
- 46 (3) Review the program for corrective action under G.S. 108A-74, as amended
47 by subsection (p) of this section, and offer any recommendations necessary
48 to align the corrective action program with the child welfare reform plan.

49 **SECTION 11C.12.(m)** The child welfare system reform effort described in this
50 section shall also include the creation of a Child Welfare System Transparency and Wellness
51 Dashboard (Dashboard) that will collect data from the North Carolina Families Accessing

1 Services through Technology (NC FAST) system. The Dashboard shall serve as a report card
2 and include regular reports of the components described under subsection (k) of this section
3 and be continuously updated to allow for monitoring by State leadership, staff and families
4 involved in the child welfare system, and the general public to ensure maximum accountability
5 and transparency and the effective and efficient use of child welfare services and funds.
6 Specifically, the Dashboard shall address the data issues highlighted in the Child and Family
7 Services Review (CFSR) and the North Carolina Statewide Child Protective Services
8 Evaluation of the State's Child Protective Services system dated March 1, 2016, to ensure the
9 provision of accurate federal reporting and improved case management, continuous quality
10 improvement (CQI), and overall improved outcomes for children and families. The Division of
11 Social Services shall post data from a department of social services' report card on the
12 Division's Web site, and the data shall be updated to ensure accurate reporting. For purposes of
13 this subsection, the term "Dashboard" means a standard set of performance and outcome
14 metrics that indicate how effectively the child welfare system is working.

15 **SECTION 11C.12.(n)** The following reporting and implementation requirements
16 shall occur:

- 17 (1) The Office of State Budget and Management (OSBM) shall report to the
18 Joint Legislative Oversight Committee on Health and Human Services
19 (Committee) upon hiring an organization to develop the child welfare reform
20 plan pursuant to this section.
- 21 (2) OSBM shall include in the contract clear direction that time is of the essence
22 and failure to perform within the required time line constitutes breach of
23 contract. OSBM shall also include a provision in the contract authorizing it
24 to terminate the contract without financial penalty to the State if OSBM, in
25 consultation with the Committee, determines that progress on development
26 of the child welfare reform plan is unsatisfactory.
- 27 (3) The organization shall submit a preliminary report to the Committee no later
28 than 180 days after the contract is finalized. The preliminary report shall set
29 forth the organization's vision for developing the child welfare reform plan.
30 After that report is submitted, the organization shall submit bimonthly
31 reports to the Committee on the progress of development and
32 implementation of the child welfare reform plan.
- 33 (4) The Department shall collaborate with the organization to implement the
34 child welfare reform plan. The Department shall submit a report to the
35 Committee no later than September 15, 2019. The report shall describe
36 progress made on implementation to date, implementation plans and time
37 lines for the subsequent 24 months, and a summary of significant challenges
38 encountered during implementation.
- 39 (5) The Department shall conduct a comprehensive review of every policy
40 published by the Department related to child welfare. The Department shall
41 revise existing policies and adopt new policies as necessary to align
42 departmental guidance with the law as well as the systemic, policy, and
43 practice changes resulting from both regionalization of the social services
44 system and child welfare reform. The Department shall consult with agency
45 attorneys and the School of Government at the University of North Carolina
46 at Chapel Hill to confirm that each policy is authorized by statute or
47 regulation. Prior to finalizing each policy, the Department shall provide the
48 policy to the outside organization for review. The outside organization shall
49 monitor the implementation of the policy review and revision process and
50 submit bimonthly reports to the Committee beginning no later than
51 September 15, 2019.

1 **SECTION 11C.12.(o)** Of the funds appropriated in this act to the Department of
2 Health and Human Services, Division of Social Services, the sum of three million one hundred
3 thousand dollars (\$3,100,000) in nonrecurring funds for the 2018-2019 fiscal year shall be used
4 for reforming State supervision and accountability of the State's child welfare system as
5 provided in this section.

6
7 **LOCAL DSS; CORRECTIVE ACTION**

8 **SECTION 11C.12.(p)** G.S. 108A-74 reads as rewritten:

9 **"§ 108A-74. County Local department failure to provide services; meet required**
10 **standards in child welfare; corrective action; State intervention in or control of**
11 **service delivery.**

12 (a) Notwithstanding any other provision of law to the contrary, the Secretary ~~of Health~~
13 ~~and Human Services~~ may take action in accordance with this section to ensure the delivery of
14 child welfare services in accordance with State laws and applicable rules. As used in this
15 section, the ~~terms:~~ following definitions shall apply:

16 (1) ~~"County department of social services" also means the Department of social~~
17 ~~services. – The department responsible for administration of the social~~
18 ~~services and public assistance programs in a county. It includes a county~~
19 ~~department of social services, a consolidated human services agency, or a~~
20 ~~regional social services department, whichever applies; applies.~~

21 (2) ~~"County director of social services" also means the Director of social~~
22 ~~services. – The person responsible for managing and administering the~~
23 ~~department of social services, including a county social services director, a~~
24 ~~regional social services director, or a human services director, whichever~~
25 ~~applies; and applies.~~

26 (3) ~~"County board of social services" also means the Board of social services. –~~
27 ~~The governing body responsible for oversight of the department of social~~
28 ~~services, including a regional board of social services, a consolidated human~~
29 ~~services board, or a board of county commissioners that has assumed the~~
30 ~~powers and duties of a social services governing board pursuant to~~
31 ~~G.S. 153A-77(a), whichever applies.~~

32 (4) Child welfare program. – Protective services related to juveniles alleged to
33 be abused, neglected, or dependent as required by Chapter 7B of the General
34 Statutes.

35 (a1) The Secretary shall develop a standard set of performance and outcome metrics for
36 child welfare services. Departments of social services shall satisfy mandated performance
37 requirements that are based on those metrics.

38 (a2) If a department of social services fails to meet the performance requirements for
39 three consecutive months or for five months within any consecutive 12-month period, the
40 Secretary and the department of social services shall enter into a joint corrective action plan
41 within 60 working days. The plan shall specifically identify each of the following components:

42 (1) The duration of the joint corrective action plan, not to exceed 12 months. If
43 the Secretary determines that the department of social services has not
44 shown measurable progress within six months, the Secretary may summarily
45 conclude that the department of social services has failed to successfully
46 complete a joint corrective plan and may proceed with steps necessary to
47 temporarily assume administrative responsibilities of the department of
48 social services. If the Secretary determines the department of social services
49 has shown measurable progress within six months, the Secretary may extend
50 the joint corrective action plan by six months, but in no case shall a joint
51 corrective action plan exceed 18 months.

1 (2) The performance requirements for the department of social services that
2 constitute successful completion of the joint corrective action plan.

3 (3) An acknowledgement that failure to successfully complete the joint
4 corrective action plan shall result in temporary assumption of all or part of
5 the department of social services' child welfare program administration.

6 (b) ~~If the Secretary of Health and Human Services determines that a county department~~
7 ~~of social services is not providing child protective services, foster care services, or adoption~~
8 ~~services in accordance with State law and with applicable rules adopted by the Social Services~~
9 ~~Commission, or fails to demonstrate reasonable efforts to do so, has failed to successfully~~
10 ~~complete the joint corrective action plan, then the Secretary, after providing written notification~~
11 ~~of intent to the county director of social services, to the chair of the county board of~~
12 ~~commissioners, and to the chair of the county board of social services, and after providing them~~
13 ~~with an opportunity to be heard, may intervene in the particular service or services in question.~~
14 ~~Intervention includes, but is not limited to, the following activities:~~Secretary shall give the
15 board of county commissioners, the department of social services, the county manager, and the
16 board of social services at least 30 days' notice that the Secretary intends to temporarily assume
17 all or part of the department's child welfare program administration in accordance with
18 subsection (c) of this section. In a regional department of social services, notice shall be
19 provided to boards of county commissioners and county managers for all counties served by the
20 region.

21 (1) ~~Sending staff of the Department of Health and Human Services to the county~~
22 ~~department of social services to provide technical assistance and to monitor~~
23 ~~the services being provided;~~

24 (2) ~~Establishing a corrective plan of action to correct inappropriate policies and~~
25 ~~procedures; and~~

26 (3) ~~Advising county personnel as to appropriate policies and procedures.~~

27 ~~If within 60 days of completion of the intervention activities, the Secretary finds that the~~
28 ~~county department of social services is not providing in accordance with State laws and~~
29 ~~applicable rules the particular service or services for which intervention was initiated, or has~~
30 ~~not demonstrated reasonable efforts to do so, the Secretary shall withhold State and federal~~
31 ~~child welfare services administrative funds until the particular service or services are provided~~
32 ~~in accordance with State laws and applicable rules.~~

33 (c) ~~If the Secretary determines that a county department of social services is not~~
34 ~~providing child protective, foster care, or adoption services in accordance with State law and~~
35 ~~with applicable rules adopted by the Social Services Commission, or fails to demonstrate~~
36 ~~reasonable efforts to do so, and the failure to provide the services poses a substantial threat to~~
37 ~~the safety and welfare of children in the county who receive or are eligible to receive the~~
38 ~~services, then the Secretary, after providing written notification of intent to the chair of the~~
39 ~~county board of commissioners, to the chair of the county board of social services, and to the~~
40 ~~county director of social services, and after providing them with an opportunity to be heard,~~
41 ~~shall withhold funding for the particular service or services in question and shall ensure the~~
42 ~~provision of these services through contracts with public or private agencies or by direct~~
43 ~~operation by the Department of Health and Human Services.~~Notwithstanding any provision of
44 law to the contrary, if a department of social services fails to successfully complete its joint
45 corrective action plan, the Secretary shall, within 30 calendar days, temporarily assume all or
46 part of the department's child welfare program administration upon giving notice as required by
47 subsection (b) of this section. During the period the Secretary assumes administration of the
48 child welfare program, the following shall occur:

49 (1) The Secretary shall administer the child welfare program in a county or
50 region. Administration by the Secretary may include direct operation by the

1 Department, including supervision of child welfare program staff or
2 contracts for operation, to the extent permitted by federal law.

3 (2) The department of social services shall be divested of administrative
4 authority for any component of the child welfare program the Secretary
5 assumes.

6 (3) The director of social services shall be divested of all service delivery
7 powers conferred upon the director by G.S. 108A-14 and other applicable
8 State law as it pertains to the services in question. The Secretary may assign
9 any of the powers and duties of the director of social services to the Director
10 of the Division of Social Services of the Department or a contractor, as the
11 Secretary deems necessary and appropriate to continue the provision of
12 services in the county. If the director delegates any authority to staff
13 pursuant to G.S. 108A-14(b), delegated authority shall remain in effect until
14 the Secretary, or the Secretary's designee, specifically revokes the
15 delegation.

16 (4) The Secretary shall direct and oversee the expenditure of all funding for the
17 administration of the components of the child welfare program assumed by
18 the Secretary.

19 (5) The department of social services shall not withdraw funds previously
20 obligated or appropriated for child welfare program administration and
21 services. The department of social services shall continue to pay the county
22 or region's nonfederal share for the child welfare program services and
23 administration.

24 (6) The Secretary shall work with the department of social services to develop a
25 plan for the department to resume child welfare program administration.

26 (7) The Secretary shall inform the appropriate board or boards of county
27 commissioners, the county manager or managers, the director of social
28 services, and the board of social services of key activities and ongoing
29 concerns during the temporary assumption of child welfare administration.

30 (c1) Upon the Secretary's determination that the department of social services is able to
31 meet performance requirements for child welfare programs and that program administration
32 responsibilities should be restored to the department of social services, the Secretary shall
33 notify the board of county commissioners, the department of social services, the county
34 manager, and the board of social services that the temporary assumption of child welfare
35 program administration will be terminated and the effective date of the termination. Upon
36 termination, the department of social services shall resume its full authority to administer the
37 child welfare program.

38 (d) ~~In the event that the Secretary assumes control of service delivery pursuant to~~
39 ~~subsection (e) of this section, the county director of social services shall be divested of all~~
40 ~~service delivery powers conferred upon the director by G.S. 108A-14 and other applicable State~~
41 ~~law as the powers pertain to the services in question. Upon assumption of control of service~~
42 ~~delivery, the Secretary may assign any of the powers and duties of the county director of social~~
43 ~~services to the Director of the Division of Social Services of the Department of Health and~~
44 ~~Human Services or to a contractor as the Secretary deems necessary and appropriate to~~
45 ~~continue the provision of the services in the county.~~

46 (e) ~~In the event the Secretary takes action under this section, the Department of Health~~
47 ~~and Human Services shall, in conjunction with the county board of commissioners, the county~~
48 ~~board of social services, and the county director of social services develop and implement a~~
49 ~~corrective plan of action. The Department of Health and Human Services shall also keep the~~
50 ~~chair of the county board of commissioners, the chair of the county board of social services,~~

1 and the county director of social services informed of any ongoing concerns or problems with
2 the delivery of the services in question.

3 (f) ~~Upon the Secretary taking action pursuant to subsection (e) of this section, county
4 funding of the services in question shall continue and at no time during the period of time that
5 the Secretary is taking action shall a county withdraw funds previously obligated or
6 appropriated for the services. Upon the Secretary's assumption of the control of service
7 delivery, the county shall also pay the nonfederal share of any additional cost that may be
8 incurred to operate the services in question at the level necessary to comply fully with State law
9 and Social Services Commission rules.~~

10 (g) ~~During the period of time that the Secretary is taking action pursuant to subsection
11 (e) of this section, the Department of Health and Human Services shall work with the county
12 board of commissioners, the county board of social services, and the county director of social
13 services, to enable service delivery to be returned to the county if and when the Secretary has
14 determined that services can be provided by the county in accordance with State law and
15 applicable rules."~~

16 **SECTION 11C.12.(q)** Subsection (p) of this section becomes effective six months
17 after all 100 counties in the State have implemented the child welfare component to the North
18 Carolina Families Accessing Services through Technology (NC FAST) system.

19 **CHILD WELL-BEING TRANSFORMATION COUNCIL**

20 **SECTION 11C.12.(r)** Chapter 143 of the General Statutes is amended by adding a
21 new Article to read:

22 "Article 82.

23 "Child Well-Being Transformation Council.

24 **"§ 143-775. Child Well-Being Transformation Council established; membership; 25 qualifications; vacancies.**

26 (a) Purpose; Findings. – The welfare of North Carolina's children is a priority. There
27 are many public and private agencies and organizations across the State that are involved with
28 promoting the welfare of children and protecting them from harm, such as those involving child
29 care, schools, health care providers, social services agencies, and juvenile justice programs.
30 Though these agencies and organizations provide important services, they often fail to
31 collaborate, coordinate, and communicate about those services. A more systematic and
32 coordinated approach to services will help ensure that the State achieves the best possible
33 outcomes for children. Therefore, the General Assembly finds that it is essential that a single
34 body serve as a means for coordination, collaboration, and communication among agencies and
35 organizations involved in providing public services to children.

36 (b) Creation and Membership. – There is established the North Carolina Child
37 Well-Being Transformation Council (Council). The Council shall be located administratively in
38 the General Assembly. The Council shall consist of 17 members serving staggered terms. In
39 making appointments, each appointing authority shall select members who have appropriate
40 experience and knowledge of the issues to be examined by the Council and shall strive to
41 ensure members are appointed who represent the geographical, political, gender, and racial
42 diversity of this State. The initial Council members shall be appointed on or after July 1, 2018,
43 as follows:

- 44 (1) Four members shall be appointed by the General Assembly upon the
45 recommendation of the President Pro Tempore of the Senate. Of the
46 members appointed under this subdivision, one shall be a member of the
47 Senate who shall serve for a term of two years, one shall be a representative
48 from the Administrative Office of the Courts who shall serve for a term of
49 three years, one shall be a representative from a child welfare private
50 provider organization who shall serve for a term of two years, and one shall
51

1 be a representative from the North Carolina Pediatric Society who shall
2 serve a one-year term.

3 (2) Four members shall be appointed by the General Assembly upon the
4 recommendation of the Speaker of the House of Representatives. Of the
5 members appointed under this subdivision, one shall be a member of the
6 House of Representatives who shall serve for a term of two years, one shall
7 be a representative from the Department of Public Instruction who shall
8 serve for a term of three years, one shall be a representative from Indigent
9 Defense Services who shall serve for a term of two years, and one shall be a
10 representative of the Hospital Association who shall serve a one-year term.

11 (3) Nine members shall be appointed by the Governor. Of the members
12 appointed under this subdivision, one shall be a representative from the
13 Department of Health and Human Services, Division of Child Development
14 and Early Education, who shall serve for a term of three years, one shall be a
15 representative from the Department of Health and Human Services, Division
16 of Social Services, who shall serve for a term of three years, one shall be a
17 representative from the Department of Public Safety, Division of Juvenile
18 Justice, who shall serve for a term of two years, one shall be a representative
19 from the Department of Health and Human Services, Division of Mental
20 Health, Developmental Disabilities, and Substance Abuse Services, who
21 shall serve for a term of three years, one shall be a representative from the
22 Guardian ad Litem program who shall serve a term of two years, one shall
23 be a representative from Disability Rights NC who shall serve a one-year
24 term, one shall be a representative from a local management entity/managed
25 care organization (LME/MCO) who shall serve a one-year term, one shall be
26 a representative from the Department of Health and Human Services,
27 Division of Public Health, with expertise in substance abuse disorders who
28 shall serve for a term of two years, and one shall be a director of a county
29 department of social services who shall serve a one-year term.

30 (c) Terms; Vacancies. – Upon the expiration of the terms of the initial Council
31 members, each member shall be appointed for a term of four years and shall serve until a
32 successor is appointed. No member may serve more than two consecutive full terms. A vacancy
33 shall be filled within 30 days by the authority making the initial appointment.

34 (d) Organization. – The Council shall elect from its membership a chair and vice-chair
35 to each serve one-year terms. The Council shall meet on a quarterly basis each year upon the
36 call of the chair. A quorum of the Council is nine members. No action may be taken except by
37 a majority vote at a meeting at which a quorum is present. The Open Meetings Law pursuant to
38 Article 33C of Chapter 143 of the General Statutes and the Public Records Act under Chapter
39 132 of the General Statutes shall apply to the Council.

40 (e) Funding. – From funds available to the General Assembly, the Legislative Services
41 Commission shall allocate monies to fund the work of the Committee. Members of the
42 Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and
43 G.S. 138-5.

44 (f) Staff. – The Legislative Services Commission, through the Legislative Services
45 Officer, shall assign professional staff to assist the Council in its work. Upon the direction of
46 the Legislative Services Commission, the Director of Legislative Assistants of the Senate and
47 of the House of Representatives shall assign clerical staff to the Council. The expenses for
48 clerical employees shall be borne by the Council.

49 **"§ 143-776. Powers and duties.**

50 (a) Upon its establishment, the Council shall direct its initial focus on the following
51 initiatives:

- 1 (1) Mapping the network of child-serving agencies and organizations in the
2 State.
- 3 (2) Cataloging examples of failures in coordination, collaboration, and
4 communication in the context of child protective services.
- 5 (3) Reviewing the work of bodies similar to the Council operating in other states
6 to identify promising practices and focus areas for the Council's work.
- 7 (b) Beginning July 1, 2020, the Council shall focus on promoting coordination,
8 collaboration, and communication of child-serving agencies involved with the child protective
9 services system. In addition, the Council shall do the following:
- 10 (1) Monitor the process of regionalization.
- 11 (2) Monitor the process of child welfare reform.
- 12 (3) Recommend changes in law, policy, or practice necessary to remedy gaps in
13 coordination, collaboration, and communication between the new regional
14 social services departments and other agencies and organizations involved
15 with the same populations.
- 16 (c) By 2022, and thereafter, the Council shall expand the scope of its work to
17 encompass evaluation of child-centered programs and services beyond the child protective
18 services system. The Council shall take appropriate steps to identify gaps in coordination,
19 collaboration, and communication and recommend changes in law, policy, or practice
20 necessary to remedy remaining gaps. The Council's authority extends to any publicly funded
21 program that serves children.
- 22 (d) The Council shall submit a report to the chairs of the Senate Appropriations
23 Committee on Health and Human Services, the chairs of the House of Representatives
24 Appropriations Committee on Health and Human Services, the Joint Legislative Oversight
25 Committee on Health and Human Services, and the Fiscal Research Division by June 30 of
26 each year. The report shall include a summary of the Council's work for the previous year, any
27 findings and recommendations for change, and a work plan for the upcoming year.
- 28 (e) The Council is authorized to accept gifts or grants from other sources to support
29 administration of the Council."

30 **SECTION 11C.12.(s)** Of the funds appropriated in this act to the Department of
31 Health and Human Services, the sum of twelve thousand six hundred ninety-two dollars
32 (\$12,692) in nonrecurring funds for the 2018-2019 fiscal year shall be allocated to the
33 Legislative Services Commission for purposes of assisting the Child Well-Being
34 Transformation Council established pursuant to subsection (r) of this section.

35 36 **DRIVERS LICENSE PILOT PROJECT**

37 **SECTION 11C.12.(t)** The General Assembly recognizes that not having a drivers
38 license is a barrier to education, employment, health care, and other community-based activities
39 for older youth in foster care, as defined in G.S. 131D-10.2(9), working toward independence.
40 One of the biggest barriers to accessing a drivers license for such youth is the ability to obtain
41 insurance. Therefore, to assist in this effort, the Department of Health and Human Services,
42 Division of Social Services, shall establish a two-year pilot program that shall reimburse, on a
43 first-come, first-served basis, youth and caregivers' costs associated with drivers license
44 education, drivers license fees, insurance costs, and any other costs associated with obtaining a
45 drivers license. The Division shall take appropriate steps to ensure proper advertising of the
46 pilot program.

47 The Division of Social Services shall report on the pilot project to the Joint Legislative
48 Oversight Committee on Health and Human Services by March 1, 2018.

49 **SECTION 11C.12.(u)** Of the funds appropriated in this act to the Department of
50 Health and Human Services, Division of Social Services, the sum of seventy-five thousand
51 dollars (\$75,000) for the 2017-2018 fiscal year and the sum of seventy-five thousand dollars

1 (\$75,000) for the 2018-2019 fiscal year shall be used to conduct the pilot project established
2 pursuant to subsection (t) of this section.
3

4 **PILOT WAIVER FOR IAFT FOSTER PARENTS**

5 **SECTION 11C.12.(v)** The General Assembly has determined that in an effort to
6 maximize funding, local management entities/managed care organizations (LME/MCOs) are
7 utilizing Intensive Alternative Family Treatment (IAFT), which is a means of cost-effective,
8 specialized foster care treatment service that is being used for many youth who would have
9 previously been treated in Medicaid congregate care, such as psychiatric residential treatment
10 facilities. The General Assembly finds that these higher-need youth are often (i) suspended or
11 expelled from school or day programs and (ii) require multiple appointments on a weekly basis
12 to address needs, such as therapy, medication management, and school individual education
13 plans (IEPs). Further, in accordance with rules, foster parents are required to maintain outside
14 employment while providing foster care, but the constant demands of meeting the needs of
15 these foster youth often lead to disruption in placement as the foster parent is unable to meet
16 those needs while maintaining the parent's employment obligations.

17 **SECTION 11C.12.(w)** To that end, the Department of Health and Human Services,
18 Division of Social Services (Division), shall establish a pilot program that will allow the
19 Division to waive the employment requirement for foster parents with children utilizing the
20 Intensive Alternative Family Treatment (IAFT). The Division shall solicit participation in the
21 pilot program from interested local management entities/managed care organizations
22 (LME/MCOs). The participating LME/MCOs shall conduct comparison measures between
23 existing IAFT outcomes and those of pilots to determine any impact the waiver may have on
24 outside employment. LME/MCOs shall measure progress of the pilot waivers based on the
25 expectation of meeting the following outcomes:

- 26 (1) Improved placement stability with less than twenty percent (20%) of moves
27 of youth occurring due to therapeutic foster parent request.
- 28 (2) Seventy-five percent (75%) of youth and families meeting their treatment
29 goals within the projected time frame.
- 30 (3) No more than a ten percent (10%) increase in higher-level hospital bed days.

31 **SECTION 11C.12.(x)** LME/MCOs participating in the IAFT pilot waiver program
32 shall provide a report on the outcomes of the pilots, along with any recommendations, to the
33 Division. The Division shall then submit a report on the pilot waiver program to the Joint
34 Legislative Oversight Committee on Health and Human Services by December 1, 2018.
35

36 **TERMINATION OF PARENTAL RIGHTS/APPEALS**

37 **SECTION 11C.12.(y)** G.S. 7B-1001, as amended by Section 4 of S.L. 2017-7,
38 reads as rewritten:

39 **"§ 7B-1001. Right to appeal.**

40 (a) In a juvenile matter under this Subchapter, appeal of a final order of the court ~~in a~~
41 ~~juvenile matter~~ shall be made directly to the Court of Appeals ~~unless otherwise~~
42 ~~specified.~~ Appeals. Only the following juvenile matters may be appealed:

- 43 ...
- 44 (5) ~~An order entered under G.S. 7B-906.2(b) with rights to appeal properly~~
45 ~~preserved, as follows:~~
 - 46 a. ~~The Court of Appeals shall review the order eliminating reunification~~
47 ~~as a permanent plan if all of the following apply:~~
 - 48 1. ~~A motion or petition to terminate the parent's rights is heard~~
49 ~~and granted.~~
 - 50 2. ~~The order terminating parental rights is appealed in a proper~~
51 ~~and timely manner.~~

- 1 3. ~~The order eliminating reunification as a permanent plan is~~
2 ~~identified as an issue in the record on appeal of the~~
3 ~~termination of parental rights.~~
4 b. A party who is a parent shall have the right to appeal the order if no
5 ~~termination of parental rights petition or motion is filed within 180~~
6 ~~days of the order.~~
7 e. ~~A party who is a custodian or guardian shall have the right to~~
8 ~~immediately appeal the order.~~
9 An order entered under G.S. 7B-906.2(b) eliminating reunification, as
10 defined by G.S. 7B-101(18b), as a permanent plan by either of the
11 following:
12 a. A parent who is a party and:
13 1. Has preserved the right to appeal the order in writing within
14 30 days after entry and service of the order.
15 2. A termination of parental rights petition or motion has not
16 been filed within 65 days of entry and service of the order.
17 3. A notice of appeal of the order eliminating reunification is
18 filed within 30 days after entry and service of the expiration
19 of the 65 days.
20 b. A party who is a guardian or custodian with whom reunification is
21 not a permanent plan.
22 (6) ~~Any order that terminates parental rights or denies a petition or motion to~~
23 ~~terminate parental rights shall be made directly to the Supreme Court.~~
24 (a1) In a juvenile matter under this Subchapter, appeal of a final order of the court shall
25 be made directly to the Supreme Court in the following juvenile matters:
26 (1) Any order that terminates parental rights or denies a petition or motion to
27 terminate parental rights.
28 (2) An order eliminating reunification as a permanent plan under
29 G.S. 7B-906.2(b), if all of the following conditions are satisfied:
30 a. The right to appeal the order eliminating reunification has been
31 preserved in writing within 30 days of entry and service of the order.
32 b. A motion or petition to terminate the parent's rights is filed within 65
33 days of entry and service of the order eliminating reunification and
34 both of the following occur:
35 1. The motion or petition to terminate rights is heard and
36 granted.
37 2. The order terminating parental rights is appealed in a proper
38 and timely manner.
39 c. A separate notice of appeal of the order eliminating reunification is
40 filed within 30 days after entry and service of a termination of
41 parental rights order.
42 (a2) In an appeal filed pursuant to subdivision (a1)(2) of this section, the Supreme Court
43 shall review the order eliminating reunification together with an appeal of the order terminating
44 parental rights. If the order eliminating reunification is vacated or reversed, the order
45 terminating parental rights shall be vacated.
46 (b) Notice of appeal and notice to preserve the right to appeal shall be given in writing
47 by a proper party as defined in G.S. 7B-1002 and shall be made within 30 days after entry and
48 service of the order in accordance with G.S. 1A-1, Rule 58.
49 (c) Notice of appeal shall be signed by both the appealing party and counsel for the
50 appealing party, if any. In the case of an appeal by a juvenile, notice of appeal shall be signed
51 by the guardian ad litem attorney advocate."

TIME FRAME FOR LICENSURE APPROVAL/FOSTER CARE

SECTION 11C.12.(z) G.S. 131D-10.3 is amended by adding a new subsection to read:

"§ 131D-10.3. Licensure required.

...

(d1) Notwithstanding any other provision of law, the Department shall grant or deny a license to provide foster care or therapeutic foster care within three months from the date of application.

...."

SECTION 11C.12.(aa) The Department of Health and Human Services, Division of Social Services, shall further examine the existing time frames for processing foster care and therapeutic foster care applications and determine methods to further reduce the time frames for approving or denying applications for licensure.

TEMPORARY FINANCIAL ASSISTANCE FOR FACILITIES LICENSED TO ACCEPT STATE-COUNTY SPECIAL ASSISTANCE

SECTION 11C.13.(a) The following definitions apply in this section:

- (1) Facility licensed to accept State-County Special Assistance payments or facility. – Any residential care facility that is (i) licensed by the Department of Health and Human Services and (ii) authorized to accept State-County Special Assistance payments from its residents.
- (2) State-County Special Assistance. – The program authorized by G.S. 108A-40.

SECTION 11C.13.(b) Nonrecurring funds appropriated in this act to the Department of Health and Human Services, Division of Social Services (DSS), for each year of the 2017-2019 fiscal biennium for facilities licensed to accept State-County Special Assistance payments shall be used to provide temporary financial assistance in the form of a monthly payment to these facilities on behalf of each resident who is a recipient of State-County Special Assistance. The counties shall pay to the State fifty percent (50%) of the cost of providing these monthly payments to these facilities. The monthly payments provided by DSS to these facilities shall be subject to all of the following requirements and limitations:

- (1) The amount of the monthly payments authorized by this section is equal to thirty-four dollars (\$34.00) per month for each resident of the facility as of the first day of the month who is a recipient of State-County Special Assistance.
- (2) A facility that receives the monthly payments authorized by this section shall not, under any circumstances, use these payments for any purpose other than to offset the cost of serving residents who are recipients of State-County Special Assistance.
- (3) The DSS shall make monthly payments authorized by this section to a facility on behalf of a resident only for the period commencing July 1, 2017, and ending June 30, 2019.
- (4) The DSS shall make monthly payments authorized by this section only to the extent sufficient State and county funds allocated to the DSS for each year of the 2017-2019 fiscal biennium are available for this purpose.
- (5) The DSS shall not make monthly payments authorized by this section to a facility on behalf of a resident whose eligibility determination for State-County Special Assistance is pending.
- (6) The DSS shall terminate all monthly payments pursuant to this section on the earlier of the following:

1 a. June 30, 2019.

2 b. Upon depletion of the State and county funds allocated to the DSS
3 for each year of the 2017-2019 fiscal year for this purpose.

4 **SECTION 11C.13.(c)** Notwithstanding any provision of this act or any other
5 provision of law to the contrary, the DSS shall not be required to provide any temporary
6 financial assistance to facilities beyond June 30, 2019, or upon depletion of the State and
7 county funds allocated to the DSS for each year of the 2017-2019 fiscal biennium for this
8 purpose, whichever is earlier.

9 **SECTION 11C.13.(d)** If possible, the DSS shall use an existing mechanism to
10 administer these funds in the least restrictive manner that ensures compliance with this section
11 and timely and accurate payments to facilities. The DSS shall not, under any circumstances, use
12 any portion of the State and county funds allocated to the DSS for each year of the 2017-2019
13 fiscal biennium for the purpose of this section for any other purpose.

14 **SECTION 11C.13.(e)** Nothing in this section shall be construed as an obligation
15 by the General Assembly to appropriate funds for the purpose of this section, or as an
16 entitlement by any facility, resident of a facility, or other person to receive temporary financial
17 assistance under this section.

18 **SECTION 11C.13.(f)** Of the funds appropriated in this act to the DSS for each
19 year of the 2017-2019 fiscal biennium for facilities licensed to accept State-County Special
20 Assistance payments, the DSS shall not use more than two hundred fifty thousand dollars
21 (\$250,000) in nonrecurring funds for each year of the 2017-2019 fiscal biennium for
22 administrative purposes.

23 **SECTION 11C.13.(g)** This section expires on June 30, 2019.

24
25 **SUBPART XI-D. DIVISION OF AGING AND ADULT SERVICES**

26
27 **STATE-COUNTY SPECIAL ASSISTANCE**

28 **SECTION 11D.1.(a)** For each year of the 2017-2019 fiscal biennium, the
29 maximum monthly rate for residents in adult care home facilities shall be one thousand one
30 hundred eighty-two dollars (\$1,182) per month per resident.

31 **SECTION 11D.1.(b)** For each year of the 2017-2019 fiscal biennium, the
32 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one
33 thousand five hundred fifteen dollars (\$1,515) per month per resident.

34
35 **ALIGNMENT OF STATE & FEDERAL AGING PLAN REPORTING DEADLINES**

36 **SECTION 11D.2.** G.S. 143B-181.1A reads as rewritten:

37 "**§ 143B-181.1A. Plan for serving older adults; inventory of existing data; cooperation by**
38 **State agencies.**

39 (a) The Division of ~~Aging, Aging and Adult Services of the~~ Department of Health and
40 Human Services shall submit a regularly updated plan to the General Assembly by ~~March 1~~ July
41 1 of every other odd-numbered year, beginning March 1, 1995. This plan shall include:

42 (1) A detailed analysis of the needs of older adults in North Carolina, based on
43 existing available data, including demographic, geographic, health, social,
44 ~~economic, economic,~~ and other pertinent ~~indicators;~~ indicators.

45 (2) A clear statement of the goals of the State's long-term public policy on
46 ~~aging;~~ aging.

47 (3) An analysis of services currently provided and an analysis of additional
48 services ~~needed;~~ and needed.

49 (4) Specific implementation recommendations on expansion and funding of
50 current and additional services and ~~services-~~ service levels.

1 (b) ~~The Division of Aging, Aging and Adult Services of the Department of Health and~~
2 ~~Human Services, Services~~ shall maintain an inventory of existing data sets regarding the elderly
3 in North Carolina, in order to ensure that adequate demographic, geographic, health, social,
4 economic, and other pertinent indicators are available to generate its regularly updated Plan for
5 Serving Older Adults.

6 Upon request, the Division of Aging and Adult Services shall make information on these
7 data sets available within a reasonable time.

8 All State agencies and entities that possess data relating to the elderly, including the
9 Department of ~~Health and Human Services' Division of Health Services, the Division of~~
10 Administration and the Divisions of Public Health, Health Service Regulation, and the Division
11 of Social Services, and the Department of Administration, Social Services of the Department of
12 Health and Human Services, shall cooperate, upon request, with the Division of Aging and
13 Adult Services in implementing this subsection."
14

15 SUBPART XI-E. DIVISION OF PUBLIC HEALTH

16 FUNDS FOR SCHOOL NURSES

17 **SECTION 11E.1.** Part 1 of Article 1 of Chapter 130A of the General Statutes is
18 amended by adding a new section to read:

19 "**§ 130A-4.3. State funds for school nurses.**

20 (a) The Department shall use State funds appropriated for the School Nurse Funding
21 Initiative to supplement and not supplant other State, local, or federal funds appropriated or
22 allocated for this purpose. The Department shall ensure that communities maintain their current
23 level of effort and funding for school nurses. These funds shall not be used to fund nurses for
24 State agencies. These funds shall be distributed to local health departments according to a
25 formula that includes all of the following:

- 26 (1) School nurse-to-student ratio.
- 27 (2) Percentage of students eligible for free or reduced-price meals.
- 28 (3) Percentage of children in poverty.
- 29 (4) Per capita income.
- 30 (5) Eligibility as a low-wealth county.
- 31 (6) Mortality rates for children between one and 19 years of age.
- 32 (7) Percentage of students with chronic illnesses.
- 33 (8) Percentage of county population consisting of minority persons.

34 (b) The Division of Public Health shall ensure that school nurses funded with State
35 funds (i) do not assist in any instructional or administrative duties associated with a school's
36 curriculum and (ii) perform all of the following with respect to school health programs:

- 37 (1) Serve as the coordinator of the health services program and provide nursing
38 care.
- 39 (2) Provide health education to students, staff, and parents.
- 40 (3) Identify health and safety concerns in the school environment and promote a
41 nurturing school environment.
- 42 (4) Support healthy food services programs.
- 43 (5) Promote healthy physical education, sports policies, and practices.
- 44 (6) Provide health counseling, assess mental health needs, provide interventions,
45 and refer students to appropriate school staff or community agencies.
- 46 (7) Promote community involvement in assuring a healthy school and serve as
47 school liaison to a health advisory committee.
- 48 (8) Provide health education and counseling and promote healthy activities and
49 a healthy environment for school staff.
- 50

- 1 (9) Be available to assist the county health department during a public health
2 emergency."
3

4 **STRATEGIES FOR ADDRESSING STRUCTURAL BUDGET DEFICIT IN STATE**
5 **LABORATORY OF PUBLIC HEALTH**

6 **SECTION 11E.2.(a)** By March 1, 2018, the Department of Health and Human
7 Services, Division of Public Health, shall review the current fee schedule for medical and
8 environmental services provided by the State Laboratory of Public Health (SLPH) and report
9 any recommended strategies for addressing its structural budget deficit. The report must
10 include at least all of the following:

- 11 (1) Recommendations on all of the following:
12 a. Any service the SLPH currently provides at no cost for which it
13 should begin charging a fee, along with recommendations for the
14 amount of each new fee sufficient to cover both the direct and
15 indirect costs of the service.
16 b. Implementation of a billing system for services provided by the
17 SLPH.
18 c. Strategies to improve billing accuracy in order to increase the SLPH's
19 Medicaid reimbursement rate.
20 d. The feasibility of modifying the Medicaid State Plan to allow the
21 SLPH to engage in cost settlement, similar to the approaches used by
22 local health departments.
23 (2) Identification of measures to ensure that local health departments collect and
24 report all data needed to ensure accurate and timely billing of SLPH
25 services.
26 (3) Proposals on alternative funding options to support the operating costs of the
27 SLPH.

28 **SECTION 11E.2.(b)** This section is effective when this act becomes law.
29

30 **LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO**
31 **IMPROVE MATERNAL AND CHILD HEALTH**

32 **SECTION 11E.3.(a)** Funds appropriated in this act to the Department of Health
33 and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal biennium
34 to award competitive grants to local health departments for the improvement of maternal and
35 child health shall be used to continue administering a competitive grant process for local health
36 departments based on maternal and infant health indicators and the county's detailed proposal
37 to invest in evidence-based programs to achieve the following goals:

- 38 (1) Improve North Carolina's birth outcomes.
39 (2) Improve the overall health status of children in this State from birth to age
40 five.
41 (3) Lower the State's infant mortality rate.

42 **SECTION 11E.3.(b)** The plan for administering the competitive grant process
43 shall include at least all of the following components:

- 44 (1) A request for application (RFA) process to allow local health departments to
45 apply for and receive State funds on a competitive basis. The Department
46 shall require local health departments to include in the application a plan to
47 evaluate the effectiveness, including measurable impact or outcomes, of the
48 activities, services, and programs for which the funds are being requested.
49 (2) A requirement that the Secretary prioritize grant awards to those local health
50 departments that are able to leverage non-State funds in addition to the grant
51 award.

1 (3) Ensures that funds received by the Department to implement the plan
2 supplement and do not supplant existing funds for maternal and child health
3 initiatives.

4 (4) Allows grants to be awarded to local health departments for up to two years.

5 **SECTION 11E.3.(c)** No later than July 1 of each year, as applicable, the Secretary
6 shall announce the recipients of the competitive grant awards and allocate funds to the grant
7 recipients for the respective grant period pursuant to the amounts designated under subsection
8 (a) of this section. After awards have been granted, the Secretary shall submit a report to the
9 Joint Legislative Oversight Committee on Health and Human Services on the grant awards that
10 includes at least all of the following:

11 (1) The identity and a brief description of each grantee and each program or
12 initiative offered by the grantee.

13 (2) The amount of funding awarded to each grantee.

14 (3) The number of persons served by each grantee, broken down by program or
15 initiative.

16 **SECTION 11E.3.(d)** No later than December 1 of each fiscal year, each local
17 health department receiving funding pursuant to this section in the respective fiscal year shall
18 submit to the Division of Central Management and Support a written report of all activities
19 funded by State appropriations. The report shall include the following information about the
20 fiscal year preceding the year in which the report is due:

21 (1) A description of the types of programs, services, and activities funded by
22 State appropriations.

23 (2) Statistical and demographical information on the number of persons served
24 by these programs, services, and activities, including the counties in which
25 services are provided.

26 (3) Outcome measures that demonstrate the impact and effectiveness of the
27 programs, services, and activities based on the evaluation protocols
28 developed by the Division, in collaboration with the University of North
29 Carolina Gillings School of Global Public Health, pursuant to Section
30 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight
31 Committee on Health and Human Services on April 1, 2016.

32 (4) A detailed program budget and list of expenditures, including all positions
33 funded, matching expenditures, and funding sources.

34 **LIMITATION ON USE OF STATE FUNDS**

35 **SECTION 11E.4.** Of the funds appropriated in this act to the Department of Health
36 and Human Services for the 2017-2019 fiscal biennium, no State funds shall be allocated to any
37 provider that performs abortions. This section shall not be construed to prevent the Department
38 from paying any State Health Plan provider or Medicaid provider for services authorized under
39 the State Health Plan or the State Medicaid Program.

40 **EVIDENCE-BASED DIABETES PREVENTION PROGRAM TO ELIMINATE 41 HEALTH DISPARITIES**

42 **SECTION 11E.5.(a)** The Department of Health and Human Services, Division of
43 Public Health, Office of Minority Health, shall continue to administer, in consultation with the
44 Chronic Disease and Injury Prevention Section, an evidence-based Diabetes Prevention
45 Program modeled after the program recommended by the National Institute of Diabetes and
46 Digestive and Kidney Diseases, targeting minority populations.

47 **SECTION 11E.5.(b)** By December 1, 2017, and annually thereafter, the
48 Department of Health and Human Services shall report to the Joint Legislative Oversight
49
50

1 Committee on Health and Human Services on the status, participant demographics, cost, and
2 outcomes of the Diabetes Prevention Program authorized by subsection (a) of this section.

3
4 **IMPLEMENT THE FEDERAL ELEVATED BLOOD LEVEL STANDARD IN NORTH**
5 **CAROLINA**

6 **SECTION 11E.6.(a)** It is the intent of the State to protect young children from
7 being exposed to high levels of lead that can cause substantial harm to their normal
8 neurological development and to ensure important intervention services, including required
9 remediation of lead hazards, will be provided to children whose health is threatened by lead
10 exposure.

11 **SECTION 11E.6.(b)** G.S. 130A-131.7 reads as rewritten:

12 **"§ 130A-131.7. Definitions.**

13 The following definitions apply in this Part:

14 ...

15 (3) "Confirmed lead poisoning" means a blood lead concentration of ~~20-10~~
16 micrograms per deciliter or greater determined by the lower of two
17 consecutive blood tests within a ~~six-month~~12-month period.

18 ...

19 (5) "Elevated blood lead level" means a blood lead concentration of ~~40-five~~
20 micrograms per deciliter or greater determined by the lower of two
21 consecutive blood tests within a ~~six-month~~12-month period.

22"

23 **SECTION 11E.6.(c)** G.S. 130A-131.9C(a) reads as rewritten:

24 "(a) Upon determination that a child less than six years of age has a confirmed lead
25 poisoning of ~~20-10~~ micrograms per deciliter or greater and that child resides in a residential
26 housing unit containing lead poisoning hazards, the Department shall require remediation of the
27 lead poisoning hazards. The Department shall also require remediation of the lead poisoning
28 hazards identified at the supplemental addresses of a child less than six years of age with a
29 confirmed lead poisoning of ~~20-10~~ micrograms per deciliter or greater."

30 **SECTION 11E.6.(d)** G.S. 130A-131.9G reads as rewritten:

31 **"§ 130A-131.9G. Resident responsibilities.**

32 In any residential housing unit occupied by a child less than six years of age who has an
33 elevated blood lead level of ~~40-five~~ micrograms per deciliter or greater, the Department shall
34 advise, in writing, the owner or managing agent and the child's parents or legal guardian of the
35 importance of carrying out routine cleaning activities in the units they occupy, own, or manage.
36 The cleaning activities shall include all of the following:

37 (1) Wiping clean all windowsills with a damp cloth or sponge at least weekly.

38 (2) Regularly washing all surfaces accessible to children.

39 (3) In the case of a leased residential housing unit, identifying any deteriorated
40 paint in the unit and notifying the owner or managing agent of the conditions
41 within 72 hours of discovery.

42 (4) Identifying and understanding potential lead poisoning hazards in the
43 environment of each child less than six years of age in the unit (including
44 toys, vinyl miniblinds, playground equipment, drinking water, soil, and
45 painted surfaces), and taking steps to prevent children from ingesting lead
46 such as encouraging children to wash their faces and hands frequently and
47 especially after playing outdoors."

48
49 **AIDS DRUG ASSISTANCE PROGRAM**

50 **SECTION 11E.7.** Part 1 of Article 1 of Chapter 130A of the General Statutes is
51 amended by adding a new section to read:

1 **"§ 130A-4.4. Funds for AIDS Drug Assistance Program.**

2 The Department shall work with the Department of Public Safety to use Department of
3 Public Safety funds to purchase pharmaceuticals for the treatment of individuals in the custody
4 of the Department of Public Safety who have been diagnosed with Human Immunodeficiency
5 Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these
6 funds to be accounted for as State matching funds in the Department of Health and Human
7 Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance
8 Program also known as ADAP."
9

10 **STUDY USE OF AIDS DRUG ASSISTANCE PROGRAM (ADAP) FUNDS TO**
11 **PURCHASE HEALTH INSURANCE**

12 **SECTION 11E.8.(a)** The Department of Health and Human Services, Division of
13 Public Health, shall study the feasibility of creating within the North Carolina AIDS Drug
14 Assistance Program (ADAP) a health insurance premium assistance program that utilizes
15 federal funds from Part B of the Ryan White HIV/AIDS Program and ADAP funds to provide,
16 on a case-by-case basis, premium and cost-sharing assistance for the purchase or maintenance
17 of private health insurance coverage, including premiums, co-payments, and deductibles to
18 eligible beneficiaries with the highest out-of-pocket costs for health insurance premiums,
19 co-payments, and deductibles. In determining the feasibility of creating such a program, the
20 Department shall plan for full compliance with federal Health Resources and Services
21 Administration (HRSA) guidance, including the methodology used to do all of the following:

- 22 (1) Assess and compare the cost of providing prescription drugs to eligible
23 beneficiaries through the health insurance premium assistance program
24 created pursuant to this section versus the existing ADAP program.
- 25 (2) Ensure that insurance premium assistance program funds are used solely to
26 pay for premium and cost-sharing assistance for the purchase or maintenance
27 of private health insurance coverage that provides, at a minimum,
28 prescription coverage equivalent to the formulary available under Part B of
29 the Ryan White HIV/AIDS Program.
- 30 (3) Limit the total annual amount of funds expended for the health insurance
31 premium assistance program authorized by this section to no more than the
32 total annual cost of maintaining the same individuals on the existing ADAP
33 program.

34 **SECTION 11E.8.(b)** By March 1, 2018, the Department shall submit a report to
35 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
36 Research Division on the feasibility and cost of operating the program described in subsection
37 (a) of this section, including any obstacles to implementation.
38

39 **USE OF MODIFIED ADJUSTED GROSS INCOME (MAGI) FOR AIDS DRUG**
40 **ASSISTANCE PROGRAM (ADAP) ELIGIBILITY DETERMINATIONS**

41 **SECTION 11E.9.** Beginning January 1, 2018, the Department of Health and
42 Human Services shall implement the use of the Modified Adjusted Gross Income formula in
43 the calculation of income for the purpose of determining eligibility for the AIDS Drug
44 Assistance Program in order to ensure consistency in the Department's methods of determining
45 eligibility for other benefit programs.
46

47 **TRANSFER OF ON-SITE WATER PROTECTION BRANCH TO DEPARTMENT OF**
48 **ENVIRONMENTAL QUALITY & MODIFICATION OF BOARD OF**
49 **ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS**

50 **SECTION 11E.10.(a)** The On-Site Water Protection Branch of the Environmental
51 Health Section of the Division of Public Health within the Department of Health and Human

1 Services is transferred to the Division of Water Resources within the Department of
2 Environmental Quality, by a Type I transfer, as defined in G.S. 143A-6, where it will be known
3 as the On-Site Water Protection Section.

4 **SECTION 11E.10.(b)** G.S. 90A-51 reads as rewritten:

5 **"§ 90A-51. Definitions.**

6 The words and phrases defined below shall when used in this Article have the following
7 meaning unless the context clearly indicates otherwise:

8 ...
9 (2a) "Environmental health practice" means the provision of environmental
10 health services, including administration, organization, management,
11 education, enforcement, and consultation regarding environmental health
12 services provided to or for the public. These services are offered to prevent
13 environmental hazards and promote and protect the health of the public in
14 the following areas: food, lodging, and institutional sanitation; on-site
15 wastewater treatment and disposal; public swimming pool sanitation;
16 childhood lead poisoning prevention; well permitting and inspection; tattoo
17 parlor sanitation; and all other areas of environmental health requiring the
18 delegation of authority by the Division of Public Health of the Department
19 of Health and Human Services or the On-Site Water Protection Section of
20 the Division of Water Resources of the Department of Environmental
21 Quality to State and local environmental health professionals to enforce rules
22 adopted by the Commission for Public ~~Health~~Health or the Environmental
23 Management Commission. The definition also includes local environmental
24 health professionals enforcing rules of local boards of health for on-site
25 wastewater systems and wells.

26"

27 **SECTION 11E.10.(c)** G.S. 90A-55 reads as rewritten:

28 **"§ 90A-55. State Board of Environmental Health Specialist Examiners; appointment and**
29 **term of office.**

30 (a) Board Membership. – The Board shall consist of ~~12~~nine members who shall serve
31 staggered terms: the Secretary of ~~Health and Human Services, Environmental Quality~~ or the
32 Secretary's duly authorized representative, one public-spirited citizen, ~~one environmental~~
33 sanitation educator from an accredited college or university, one local health director, a ~~one~~
34 representative of the Division of Public Health of the Department of Health and Human
35 Services, and ~~seven~~six practicing environmental health ~~specialists~~specialists, including one
36 environmental sanitation educator from an accredited college or university and one local health
37 director, who qualify by education and experience for registration under this Article, ~~six of~~
38 whom Article. The six members who are practicing environmental health specialists shall
39 represent the Western, Piedmont, and Eastern Regions of the State as described more
40 specifically in the rules adopted by the Board.

41 (b) Term of Office. – Each member of the State Board of Environmental Health
42 Specialist Examiners shall be appointed by the Governor for a term of four years. As the term
43 of each current member expires, the Governor shall appoint a successor in accordance with the
44 provisions of this section. If a vacancy occurs on the Board for any other reason than the
45 expiration of a member's term, the Governor shall appoint a successor for the remainder of the
46 unexpired term. No person shall serve as a member of the Board for more than two consecutive
47 four-year terms.

48 (c) The Environmental Health Section of the North Carolina Public Health Association,
49 Inc., shall submit a recommended list of Board member candidates to the Governor for the
50 Governor's consideration in appointments, except for the ~~two representatives~~representative of
51 the Department of Environmental Quality recommended by the Secretary of Environmental

1 Quality, the representative of the Division of Public Health of the Department of Health and
2 Human Services recommended by the Secretary of Health and Human ~~Services~~-Services, and
3 the local health director recommended by the North Carolina Local Health Directors
4 Association.

5 (d) The Governor may remove an appointee member for misconduct in office,
6 incompetency, neglect of duty, or other sufficient cause."

7 **SECTION 11E.10.(d)** The terms of all members of the Board of Environmental
8 Health Specialist Examiners shall expire on July 31, 2017. A new Board of nine members shall
9 be appointed consistent with the requirements specified in G.S. 90A-55(a), as amended by
10 subsection (c) of this section. Notwithstanding G.S. 90A-55(b), the initial term for the
11 following persons appointed to the Board of Environmental Health Specialist Examiners shall
12 be two years:

13 (1) One public-spirited citizen.

14 (2) One representative of the Division of Public Health of the Department of
15 Health and Human Services.

16 (3) Three practicing environmental health specialists.

17 At the end of these initial two-year appointments, the term for their successors shall
18 be four years. The remaining members of the Board shall be appointed for an initial term of
19 four years, and the term for their successors shall be four years. Initial terms shall begin on
20 August 1, 2017, and expire on July 31 of the year of expiration as set forth in this subsection.

21 **SECTION 11E.10.(e)** G.S. 90A-71 reads as rewritten:

22 "**§ 90A-71. Definitions.**

23 The following definitions apply in this Article:

24 ...

25 (4) "Department" means the Department of ~~Health and Human~~
26 ~~Services~~-Environmental Quality.

27"

28 **SECTION 11E.10.(f)** G.S. 90A-81(b) reads as rewritten:

29 "(b) Arbitration. – The Board may establish a voluntary arbitration procedure to resolve
30 complaints concerning a certified contractor or inspector or any work performed by a certified
31 contractor or inspector, or conflicts involving any certified contractor or inspector and ~~the~~
32 ~~Division of Public Health~~ of the Department or a local health department."

33 **SECTION 11E.10.(g)** The following statutes are amended by deleting the
34 language "Articles 9 and 10" wherever it appears and substituting "Articles 9, 10, and 11":
35 G.S. 130A-4(c), 130A-17(b), 130A-18(b), 130A-19(b), 130A-20(b), and 130A-23(e).

36 **SECTION 11E.10.(h)** G.S. 130A-22(c) reads as rewritten:

37 "(c) The Secretary of Environmental Quality may impose an administrative penalty on a
38 person who willfully violates Article 11 of this Chapter, rules adopted by the Commission
39 pursuant to Article 11 or any condition imposed upon a permit issued under Article 11. An
40 administrative penalty may not be imposed upon a person who establishes that neither the site
41 nor the system may be improved or a new system installed so as to comply with Article 11 of
42 this Chapter. Each day of a continuing violation shall constitute a separate violation. The
43 penalty shall not exceed fifty dollars (\$50.00) per day in the case of a wastewater collection,
44 treatment and disposal system with a design daily flow of no more than 480 gallons or in the
45 case of any system serving a single one-family dwelling. The penalty shall not exceed three
46 hundred dollars (\$300.00) per day in the case of a wastewater collection, treatment and disposal
47 system with a design daily flow of more than 480 gallons which does not serve a single
48 one-family dwelling."

49 **SECTION 11E.10.(i)** G.S. 130A-24(e) reads as rewritten:

50 "(e) The appeals procedures enumerated in this section shall apply to appeals concerning
51 the enforcement of rules, the imposition of administrative penalties, or any other action taken

1 by the Department of Environmental Quality pursuant to ~~Articles 8, 9, 10, 11, and 12~~ Articles
2 9, 10, and 11 of this Chapter."

3 **SECTION 11E.10.(j)** G.S. 130A-34.1(a) reads as rewritten:

4 "(a) The Local Health Department Accreditation Board is established within the North
5 Carolina Institute for Public Health. The Board shall be composed of 17 members appointed by
6 the Secretary of the Department of Health and Human Services as follows:

7 (1) Four shall be county commissioners recommended by the North Carolina
8 Association of County Commissioners, and four shall be members of a local
9 board of health as recommended by the Association of North Carolina
10 Boards of Health.

11 (2) Three local health directors.

12 (3) ~~Three~~ Two staff members from the Division of Public ~~Health~~, Health of the
13 Department of Health and Human Services.

14 (3a) One staff member from the Environmental Health Section of the Division of
15 Public Health of the Department of Health and Human Services,
16 recommended by the Secretary of Environmental Quality.

17 (4) Repealed by Session Laws 2011-145, s. 13.3(zz), effective July 1, 2011.

18 (5) Three at large."

19 **SECTION 11E.10.(k)** G.S. 130A-334 reads as rewritten:

20 **"§ 130A-334. Definitions.**

21 The following definitions shall apply throughout this Article:

22 ...

23 (1c) "Commission" means the Environmental Management Commission.

24 ~~(1e)~~(1d) "Construction" means any work at the site of placement done for the
25 purpose of preparing a residence, place of business or place of public
26 assembly for initial occupancy, or subsequent additions or modifications
27 which increase sewage flow.

28 ~~(1d)~~(1e) "Construction observation" means the visual observation of the
29 construction and installation of the wastewater system for general
30 conformance with the construction documents prepared by the professional
31 engineer who designed the wastewater system. Construction observation that
32 is conducted by the professional engineer who designed the wastewater
33 system does not include or waive the requirement to conduct special
34 inspections.

35 ~~(1e)~~(1f) "Conventional wastewater system" has the same meaning as in
36 G.S. 130A-343.

37 ~~(1f)~~(1g) "Department" means the Department of ~~Health and Human~~
38 ~~Services~~. Environmental Quality.

39 ~~(1g)~~(1h) "Engineered option permit" means an on-site wastewater system that is
40 permitted pursuant to the rules adopted by the Commission in accordance
41 with this Article, meets the criteria established by G.S. 130A-336.1, and is
42 designed by a professional engineer who is licensed under Chapter 89C of
43 the General Statutes who has expertise in the design of on-site wastewater
44 systems.

45 ~~(1h)~~(1i) "Ground absorption system" ~~(1i)~~ means a system of tanks, treatment units,
46 nitrification fields, and appurtenances for wastewater collection, treatment,
47 and subsurface disposal.

48 ...

49 (10a) "Secretary" means the Secretary of ~~Health and Human~~
50 ~~Services~~. Environmental Quality.

51"

1 **SECTION 11E.10.(l)** G.S. 130A-335(b) reads as rewritten:

2 "(b) ~~All wastewater~~ Wastewater systems including all of the following shall either (i) be
3 regulated by the Department under rules adopted by the ~~Commission~~ or (ii) conform with the
4 ~~engineered option permit criteria set forth in G.S. 130A-336.1 and under rules adopted by the~~
5 ~~Commission except for the following wastewater systems that shall be regulated by the~~
6 ~~Department under rules adopted by the Environmental Management Commission:~~

7 (1) Wastewater collection, treatment, and disposal systems designed to
8 discharge effluent to the land surface or surface waters.

9 (2) Wastewater systems designed for groundwater remediation, groundwater
10 injection, or landfill leachate collection and disposal.

11 (3) Wastewater systems designed for the complete recycle or reuse of industrial
12 process wastewater.

13 (4) Gray water systems as defined in G.S. 143-350."

14 **SECTION 11E.10.(m)** G.S. 130A-335(h) reads as rewritten:

15 "(h) Except as provided in this subsection, a chemical or portable toilet may be placed at
16 any location where the chemical or portable toilet can be operated and maintained under
17 sanitary conditions. A chemical or portable toilet shall not be used as a replacement or
18 substitute for a water closet or urinal where a water closet or urinal connected to a permanent
19 wastewater treatment system is required by the North Carolina State Building Code, except that
20 a chemical or portable toilet may be used to supplement a water closet or urinal during periods
21 of peak use. A chemical or portable toilet shall not be used as an alternative to the repair of a
22 water closet, urinal, or wastewater treatment system. It shall be unlawful to discharge sewage
23 or other waste from a chemical or portable toilet used for human waste except into a
24 wastewater system that has been approved by the Department under rules adopted by the
25 ~~Commission or by the Environmental Management Commission~~ or at a site that is permitted by
26 the Department under G.S. 130A-291.1."

27 **SECTION 11E.10.(n)** G.S. 130A-336(d) reads as rewritten:

28 "(d) If a local health department repeatedly fails to issue or deny improvement permits
29 for conventional or accepted septic tank systems within 60 days, or within 90 days for
30 provisional or innovative systems, after receiving completed applications for the permits, then
31 the Department of ~~Health and Human Services~~ may withhold public health funding from that
32 local health department."

33 **SECTION 11E.10.(o)** G.S. 130A-336.1(r) reads as rewritten:

34 "(r) Reports. – The Department shall report to the Environmental Review Commission
35 and the ~~Joint Legislative Oversight Committee on Health and Human Services~~ Joint Legislative
36 Oversight Committee on Agriculture and Natural and Economic Resources on or before
37 January 1, 2017, and annually thereafter, on the implementation and effectiveness of this
38 section. For the report due on or before January 1, 2017, the Department shall specifically study
39 (i) whether the engineered option permit resulted in a reduction in the length of time
40 improvement permits or authorizations to construct are pending; (ii) whether the engineered
41 option permit resulted in increased system failures or other adverse impacts; (iii) if the
42 engineered option permit resulted in new or increased environmental or public health impacts;
43 (iv) an amount of errors and omissions insurance or other liability sufficient for covering
44 professional engineers, licensed soil scientists, licensed geologists, and contractors who employ
45 the engineered option permit; and (v) the fees charged by local health departments to
46 administer the engineered option permit pursuant to subsection (n) of this section. The
47 Department may include recommendations, including any legislative proposals, in its reports to
48 the Commission and Committee."

49
50 **SUBPART XI-F. DIVISION OF MH/DD/SAS AND STATE OPERATED**
51 **HEALTHCARE FACILITIES**

FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

SECTION 11F.1.(a) The title to Part 4 of Article 3 of Chapter 143B of the General Statutes reads as rewritten:

"Part 4. ~~Commission for~~ Mental Health, Developmental Disabilities, and Substance Abuse Services."

SECTION 11F.1.(b) Part 4 of Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-150.1. Use of funds for North Carolina Child Treatment Program.

(a) State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the North Carolina Child Treatment Program shall be used exclusively 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 measurable 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 leadership within the State, local management entities/managed care organizations as defined in G.S. 122C-3, and the private sector to bring effective mental health treatment to children in juvenile justice and mental health facilities.

(b) All data, including any entered or stored in the State-funded secure database developed for the North Carolina Child Treatment Program 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."

SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 11F.2.(a) For the purpose of mitigating cash flow problems that many local management entities/managed care organizations (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 base budget 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. For each month of the fiscal year after July, the DMH/DD/SAS shall distribute, on the third working day of the month, one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal year.

SECTION 11F.2.(b) The DMH/DD/SAS is directed to reduce its allocation for single-stream funding by thirty-six million seven hundred eighty-five thousand nine hundred thirty-one dollars (\$36,785,931) in recurring funds and by thirty-two million six hundred fifty-seven thousand nine hundred seventy-seven dollars (\$32,657,977) in nonrecurring funds for the 2017-2018 fiscal year and by sixty-seven million seven hundred thirteen thousand nine hundred sixty-six dollars (\$67,713,966) in recurring funds and thirty-three million seven hundred sixty-six thousand six hundred fifty-five dollars (\$33,766,655) in nonrecurring funds for the 2018-2019 fiscal year.

The DMH/DD/SAS shall allocate these recurring and nonrecurring reductions for single-stream funding among the LME/MCOs as follows:

FY 2017-2018**FY 2018-2019**

Alliance Behavioral Healthcare

1	Recurring	(\$9,997,565)	(\$18,403,089)
2	Nonrecurring	(\$5,245,815)	(\$5,423,901)
3			
4	Cardinal Innovations Healthcare		
5	Recurring	(\$9,137,138)	(\$16,819,252)
6	Nonrecurring	(\$8,409,102)	(\$8,694,575)
7			
8	Eastpointe		
9	Recurring	(\$2,870,008)	(\$5,282,988)
10	Nonrecurring	(\$3,357,933)	(\$3,471,929)
11			
12	Partners Behavioral Health Management		
13	Recurring	(\$2,519,629)	(\$4,638,025)
14	Nonrecurring	(\$3,895,112)	(\$4,027,344)
15			
16	Sandhills Center		
17	Recurring	(\$9,117,470)	(\$16,783,049)
18	Nonrecurring	(\$5,238,820)	(\$5,416,668)
19			
20	Trillium Health Resources		
21	Recurring	(\$1,449,436)	(\$2,668,060)
22	Nonrecurring	(\$3,152,839)	(\$3,259,872)
23			
24	Vaya Health		
25	Recurring	(\$1,694,685)	(\$3,119,503)
26	Nonrecurring	(\$3,358,356)	(\$3,472,366)
27	TOTALS		
28	Recurring	(\$36,785,931)	(\$67,713,966)
29	Nonrecurring	(\$32,657,977)	(\$33,766,655)
30			

31 By March 1, 2018, the Secretary of Health and Human Services shall submit to the
32 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research
33 Division a proposal for any adjustments to the specified recurring reductions among the
34 LME/MCOs for future fiscal years. The proposal must include a detailed explanation
35 supporting any proposed changes.

36 During each year of the 2017-2019 fiscal biennium, each LME/MCO shall offer at
37 least the same level of service utilization as during the 2014-2015 fiscal year.

38 **SECTION 11F.2.(c)** The Department of Health and Human Services shall continue
39 to use the monthly reporting package submitted by the LME/MCOs to the Department, as
40 modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include revenues and expenditures
41 for the State funding sources for single-stream, intellectual and developmental disability, and
42 substance abuse services on Schedule D2. Additionally, the Department shall continue to use
43 appropriate schedules in the LME/MCO monthly reporting package, as modified pursuant to
44 Section 12F.2(c) of S.L. 2015-241, to include unduplicated recipients and encounters in the
45 same level of detail included in each D schedule for each source of funding for the reporting for
46 the current and previous year's month and year-to-date periods. The Department shall continue
47 to submit these reports to the Joint Legislative Oversight Committee on Health and Human
48 Services and the Fiscal Research Division by the third Monday of each month.

49 **SECTION 11F.2.(d)** If, on or after June 1, 2018, the Office of State Budget and
50 Management (OSBM) certifies a Medicaid budget surplus in funds 1310 and 1311 and
51 sufficient cash in Budget Code 14445 to meet total obligations for the 2017-2018 fiscal year,

1 then the Department of Health and Human Services, Division of Medical Assistance (DMA),
2 may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or
3 thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single-stream
4 funding required by this section.

5 If, on or after June 1, 2019, the OSBM certifies a Medicaid budget surplus in funds
6 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal
7 year 2018-2019, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the
8 amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to
9 offset the reduction in single-stream funding required by this section.

10 The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection
11 among the LME/MCOs based on the individual LME/MCO's percentage of nonrecurring
12 reductions in single-stream funding for the fiscal year, as required by subsection (b) of this
13 section. These funds shall be allocated as prescribed by June 30 of each State fiscal year.

14 **SECTION 11F.2.(e)** The Department of Health and Human Services shall develop
15 a maintenance of effort (MOE) spending requirement for all mental health and substance abuse
16 services which must be maintained using nonfederal, State appropriations on an annual basis in
17 order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the
18 MOE spending requirement is met using State appropriations.

19 **SECTION 11F.2.(f)** Beginning July 1, 2017, and quarterly thereafter, the Secretary
20 of Health and Human Services shall evaluate the financial position of each LME/MCO relative
21 to the solvency standards to be developed by the Department and included in the statewide
22 Strategic Plan for Behavioral Health Services pursuant to Section 12F.10(b)(4) of S.L. 2016-94
23 (approved solvency standards).

24 If, at any time, the Secretary determines an LME/MCO is at risk of failing
25 financially in the ensuing two-year period, based on the approved solvency standards, the
26 Secretary shall immediately meet with that LME/MCO for the purpose of evaluating the
27 reasons for the LME/MCO's vulnerable financial position, including reasons attributable to
28 trends in performance management and utilization of services. Within 30 days after meeting
29 with an LME/MCO pursuant to this section, the Secretary shall submit a written report of its
30 evaluation to the LME/MCO. By October 1, 2017, the Secretary shall submit an initial report to
31 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
32 Research Division on each LME/MCO determined to be at risk of failing financially,
33 identifying the reasons for each LME/MCO's vulnerable financial position.

34 Within 45 days after receiving the Secretary's report, the LME/MCO shall develop
35 and submit to the Secretary, in writing, a proposed plan of corrective action with specific
36 initiatives and actions to be implemented by the LME/MCO in order to bring its financial
37 position into compliance with the approved solvency standards, along with a projected time line
38 for completing each identified initiative or action and a deadline for achieving full compliance
39 with the approved solvency standards. At a minimum, the proposed plan of corrective action
40 shall address (i) rates paid to the LME/MCO and its providers for services, contracts, and
41 administrative costs; (ii) utilization of services; (iii) management of the operations of the
42 LME/MCO; and (iv) financial risk to the State.

43 Within 14 days after receiving the LME/MCO's proposed plan of corrective action,
44 the Secretary shall make any changes to the proposed plan of corrective action it deems
45 necessary for the LME/MCO to bring its financial position into compliance with the approved
46 solvency standards and submit a final, Secretary-approved plan of corrective action to the
47 LME/MCO, the Joint Legislative Oversight Committee on Health and Human Services, and the
48 Fiscal Research Division.

49 The LME/MCO shall submit monthly reports to the Secretary on its progress under
50 the final, Secretary-approved plan of corrective action. The Secretary shall submit monthly
51 reports to the Joint Legislative Oversight Committee on Health and Human Services and the

1 Fiscal Research Division evaluating the LME/MCO's progress under the final,
2 Secretary-approved plan of corrective action, identifying any variance from the corrective plan
3 of action that could be an obstacle to the LME/MCO achieving full compliance with the
4 approved solvency standards by the deadline included in the final, Secretary-approved
5 corrective plan of action.

7 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

8 **SECTION 11F.3.(a)** Use of Funds. – Of the funds appropriated to the Department
9 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
10 Substance Abuse Services, for crisis services, the sum of thirty-eight million eight hundred
11 fifty-one thousand six hundred forty-four dollars (\$38,851,644) in recurring funds and two
12 million five hundred thousand dollars (\$2,500,000) in nonrecurring funds for the 2017-2018
13 fiscal year and the sum of thirty-eight million eight hundred fifty-one thousand six hundred
14 forty-four dollars (\$38,851,644) in recurring funds and two million five hundred thousand
15 dollars (\$2,500,000) in nonrecurring funds for the 2018-2019 fiscal year shall be used to
16 purchase additional new or existing local inpatient psychiatric beds or bed days not currently
17 funded by or through LME/MCOs. The Department shall continue to implement a two-tiered
18 system of payment for purchasing these local inpatient psychiatric beds or bed days based on
19 acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for
20 individuals with higher acuity levels, as defined by the Department. The enhanced rate of
21 payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels
22 shall not exceed the lowest average cost per patient bed day among the State psychiatric
23 hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing
24 funds allocated to LME/MCOs for community-based mental health, developmental disabilities,
25 and substance abuse services may be used to purchase additional local inpatient psychiatric
26 beds or bed days. Funds designated in this subsection for the purchase of local inpatient
27 psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise
28 available to the Department for the purchase of inpatient psychiatric services through contracts
29 with local hospitals.

30 **SECTION 11F.3.(b)** Distribution and Management of Beds or Bed Days. – Except
31 as provided in this subsection, the Department shall work to ensure that any local inpatient
32 psychiatric beds or bed days purchased in accordance with this section are utilized solely for
33 individuals who are medically indigent, as defined in this subsection. In addition, the
34 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased
35 in accordance with this section are distributed across the State in LME/MCO catchment areas
36 and according to need as determined by the Department. The Department shall ensure that beds
37 or bed days for individuals with higher acuity levels are distributed across the State in LME
38 catchment areas, including any catchment areas served by managed care organizations, and
39 according to greatest need based on hospital bed utilization data. The Department shall enter
40 into contracts with LME/MCOs and local hospitals for the management of these beds or bed
41 days. The Department shall work to ensure that these contracts are awarded equitably around
42 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric
43 beds or bed days, including the determination of the specific local hospital or State psychiatric
44 hospital to which an individual should be admitted pursuant to an involuntary commitment
45 order.

46 The Department may use up to ten percent (10%) of the funds allocated in this
47 section for each year of the 2017-2019 fiscal biennium to pay for facility-based crisis services
48 and non-hospital detoxification services for individuals in need of these services, regardless if
49 the individuals are medically indigent, defined as uninsured persons who (i) are financially
50 unable to obtain private insurance coverage as determined by the Department and (ii) are not
51 eligible for government-funded health coverage such as Medicare or Medicaid.

1 **SECTION 11F.3.(c)** Funds to Be Held in Statewide Reserve. – Funds appropriated
2 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be
3 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental
4 Health, Developmental Disabilities, and Substance Abuse Services to pay for services
5 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.
6 LME/MCOs shall remit claims for payment to the Department within 15 working days after
7 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days
8 after receipt of payment from the Department.

9 **SECTION 11F.3.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –
10 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed
11 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not
12 being utilized while demand for services at the State psychiatric hospitals has not decreased, or
13 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)
14 of this section, the Department may contract with another LME/MCO to manage the beds or
15 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital
16 directly.

17 **SECTION 11F.3.(e)** Reporting by LME/MCOs. – The Department shall establish
18 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

19 **SECTION 11F.3.(f)** Reporting by Department. – By no later than December 1,
20 2018, and by no later than December 1, 2019, the Department shall report to the Joint
21 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
22 Division on all of the following:

- 23 (1) A uniform system for beds or bed days purchased during the preceding fiscal
24 year from (i) funds appropriated in this act that are designated for this
25 purpose in subsection (a) of this section, (ii) existing State appropriations,
26 and (iii) local funds.
- 27 (2) An explanation of the process used by the Department to ensure that, except
28 as otherwise provided in subsection (a) of this section, local inpatient
29 psychiatric beds or bed days purchased in accordance with this section are
30 utilized solely for individuals who are medically indigent, along with the
31 number of medically indigent individuals served by the purchase of these
32 beds or bed days.
- 33 (3) The amount of funds used to pay for facility-based crisis services, along with
34 the number of individuals who received these services and the outcomes for
35 each individual.
- 36 (4) The amount of funds used to pay for non-hospital detoxification services,
37 along with the number of individuals who received these services and the
38 outcomes for each individual.
- 39 (5) Other Department initiatives funded by State appropriations to reduce State
40 psychiatric hospital use.

41
42 **USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND SUBSTANCE USE**
43 **DISORDER TREATMENT SERVICES**

44 **SECTION 11F.4.** Section 12F.12(b) of S.L. 2015-241 reads as rewritten:

45 **"SECTION 12F.12.(b)** From funds appropriated ~~in this act~~ to the Department of Health
46 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
47 Abuse Services, to be allocated to LME/MCOs for the purchase of inpatient alcohol and
48 substance abuse treatment services, the LME/MCOs shall use their respective fund allocations
49 for individuals within their respective catchment areas as follows:

- 1 (1) During the 2015-2016 fiscal year, a minimum of one hundred percent
2 (100%) of the allocation shall be used exclusively to purchase inpatient
3 alcohol and substance abuse treatment services from the ADATCs.
4 (2) During the 2016-2017 fiscal year, a minimum of ninety percent (90%) of the
5 allocation shall be used exclusively to purchase inpatient alcohol and
6 substance abuse treatment services from the ADATCs. The LME/MCOs
7 shall use the remaining ten percent (10%) of their respective allocations to
8 purchase inpatient alcohol and substance abuse treatment services from any
9 qualified provider.
10 (2a) During the 2017-2018 fiscal year, a minimum of eighty-six percent (86%) of
11 the allocation shall be used exclusively to purchase inpatient alcohol and
12 substance abuse treatment services from the ADATCs in order to increase
13 the availability of services through the ADATCs to individuals in need of
14 inpatient opioid treatment. The LME/MCOs shall use any remaining
15 allocations to purchase inpatient alcohol and substance abuse treatment
16 services from any qualified provider.
17 (3) In subsequent fiscal years, the minimum required percentage of the
18 allocation that shall be used exclusively to purchase inpatient alcohol and
19 substance abuse treatment services from the ADATCs shall decrease by ten
20 percentage points each fiscal year after the ~~2016-2017~~2017-2018 fiscal year
21 until it reaches zero percent (0%). The minimum required percentage of the
22 allocation remaining that shall be used to purchase inpatient alcohol and
23 substance abuse treatment services from any qualified provider shall
24 increase by ten percentage points each fiscal year after the
25 ~~2016-2017~~2017-2018 fiscal year until it reaches one hundred percent
26 (100%). As used in this subdivision, the "minimum required percentage"
27 means the percentage calculated pursuant to this subsection and not a
28 percentage based on the actual amount of funds expended by the Department
29 during that fiscal year."
30

31 **PURCHASE OF ADDITIONAL PSYCHIATRIC AND FACILITY-BASED CRISIS**
32 **BEDS WITH DOROTHEA DIX HOSPITAL PROPERTY FUNDS**

33 **SECTION 11F.5.(a)** It is the intent of the General Assembly to increase inpatient
34 behavioral health bed capacity in rural areas of the State with the highest need. Toward that
35 end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under
36 G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental
37 Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal
38 year:

- 39 (1) The sum of up to one million eight hundred thousand dollars (\$1,800,000) in
40 nonrecurring funds shall be used to pay for any renovation or building costs
41 associated with the construction of new licensed inpatient behavioral health
42 beds at the Dix Crisis Intervention Center in Onslow County.
43 (2) The remaining sum of at least six million two hundred thousand dollars
44 (\$6,200,000) in nonrecurring funds shall be used to pay for any renovation
45 or building costs associated with the following:
46 a. The construction of new licensed inpatient behavioral health beds.
47 b. The conversion of existing inpatient acute care beds into licensed
48 inpatient behavioral health beds.
49 c. A combination of subdivision (1) of this subsection and this
50 subdivision.

1 **SECTION 11F.5.(b)** The Secretary shall select hospitals in the three State regions
2 for institutional services (Eastern Region, Central Region, and Western Region) to receive
3 funds allocated under subdivision (2) of subsection (a) of this section for the construction,
4 conversion, or both of inpatient behavioral health beds in rural areas of the State.
5 Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General
6 Statutes, or any other provision of law to the contrary, each facility that receives funds
7 allocated under subsection (a) of this section shall be allowed to construct new or convert
8 unused acute care beds into licensed, inpatient behavioral health beds without undergoing
9 certificate of need review by the Division of Health Service Regulation. All newly constructed
10 or converted beds shall be subject to existing licensure laws and requirements. As a condition
11 of receiving these funds, each selected rural hospital shall reserve at least fifty percent (50%)
12 of the constructed or converted beds for (i) purchase by the Department under the
13 State-administered, three-way contract and (ii) referrals by local management entities/managed
14 care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients. Any
15 hospital unit or other location with inpatient behavioral health beds constructed or converted
16 with funds allocated under subsection (a) of this section shall be named in honor of Dorothea
17 Dix.

18 **SECTION 11F.5.(c)** Beginning November 1, 2018, the Department of Health and
19 Human Services shall annually report to the Joint Legislative Oversight Committee on Health
20 and Human Services and the Fiscal Research Division on the number and location of additional
21 licensed inpatient behavioral health beds brought into operation with funds allocated under
22 subsection (a) of this section. By December 1, 2020, the Department shall submit a report that
23 includes a proposal for funding the recurring operating costs of these additional beds from a
24 source or sources other than the Dorothea Dix Hospital Property Funds, including the
25 identification of potential new funding sources.

26 **SECTION 11F.5.(d)** It is the intent of the General Assembly to continue to
27 increase the number of facility-based crisis centers in North Carolina for children and
28 adolescents. Toward that end, of the funds appropriated from the Dorothea Dix Hospital
29 Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human
30 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
31 Services, for the 2017-2018 fiscal year, the sum of two million dollars (\$2,000,000) in
32 nonrecurring funds shall be used to award grants on a competitive basis for the establishment of
33 up to two new facility-based crisis centers in the State for children and adolescents. The
34 Department shall establish a process for applying for these grants, criteria for evaluating
35 applications, and a process for allocating grants.

36 **SECTION 11F.5.(e)** Any funds allocated to the Department of Health and Human
37 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
38 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)
39 pursuant to Section 12F.4 of S.L. 2016-94 for the 2016-2017 fiscal year that are not expended
40 or encumbered as of June 30, 2017, shall remain in the Dorothea Dix Hospital and Property
41 Fund.

42 **SECTION 11F.5.(f)** Any funds allocated to the Department of Health and Human
43 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
44 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)
45 pursuant to this section for the 2017-2018 fiscal year that are not expended or encumbered as of
46 June 30, 2019, shall remain in the Dorothea Dix Hospital Property Fund.

47
48 **ADDITIONS TO THE STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL**
49 **HEALTH SERVICES**

50 **SECTION 11F.6.(a)** Section 12F.10(b) of S.L. 2016-94 reads as rewritten:

1 "SECTION 12F.10.(b) By January 1, 2018, the Department of Health and Human
 2 Services shall develop and submit to the Joint Legislative Oversight Committee on Health and
 3 Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health
 4 Choice, and the Fiscal Research Division a strategic statewide plan to improve the efficiency
 5 and effectiveness of State-funded behavioral health services. In developing the plan, the
 6 Department shall review and consider its past and current studies, and associated reports,
 7 relating to behavioral health services in the State. The plan shall include at least all of the
 8 following:

- 9 ...
 10 (5) Any other ~~component~~ component, study, or report that the Department deems
 11 necessary to achieve the goal of improving the effective and efficient
 12 delivery and coordination of publicly funded behavioral health services
 13 across the State."

14 **SECTION 11F.6.(b)** Section 12F.10 of S.L. 2016-94 is amended by adding a new
 15 subsection to read:

16 "**SECTION 12F.10.(b1)** In the development of the strategic statewide plan, required under
 17 subsection (b) of this section, the Department of Health and Human Services shall consider
 18 policy issues pertaining to the delivery of services for people with intellectual and
 19 developmental disabilities. Consideration shall be given to all of the following:

- 20 (1) The causes and potential solutions for the growing waitlist for NC
 21 Innovations Waiver slots. Potential solutions to be studied include the
 22 following:
 23 a. Increasing the funding for the 1915(c) Innovations Waiver to result
 24 in more individuals served.
 25 b. Creating new support waiver slots as recommended in the March
 26 2015 "Study Additional 1915(c) Waiver" report from the Department
 27 of Health and Human Services, Division of Medical Assistance, to
 28 the Joint Legislative Oversight Committee on Health and Human
 29 Services.
 30 c. Utilizing a 1915(i) waiver option and exploring how the 1115 waiver
 31 required for Medicaid transformation may assist in addressing
 32 current waitlist for services.
 33 (2) Issues surrounding single-stream funding and how single-stream funding is
 34 used to support services for people with intellectual and developmental
 35 disabilities.
 36 (3) Multiple federal mandates that will directly impact current services and
 37 supports for people with intellectual and developmental disabilities,
 38 including Home and Community-Based Services changes, the Work Force
 39 Innovations and Opportunities Act, and changes under section 14(c) of the
 40 federal Fair Labor Standards Act.
 41 (4) The coverage of services for the treatment of autism, including any State
 42 Plan amendment needed to address guidance issued by the Centers for
 43 Medicare and Medicaid Services."

44
 45 **MENTAL HEALTH/SUBSTANCE USE DISORDER CENTRAL ASSESSMENT AND**
 46 **NAVIGATION SYSTEM PILOT PROGRAM**

47 **SECTION 11F.7.(a)** Pilot Program Creation. – Of the funds appropriated in this
 48 act to the Department of Health and Human Services, Division of Mental Health,
 49 Developmental Disabilities, and Substance Abuse Services, the sum of two hundred fifty
 50 thousand dollars (\$250,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of
 51 two hundred fifty thousand dollars (\$250,000) in nonrecurring funds for the 2018-2019 fiscal

1 year shall be used to oversee, in consultation with the local management entity/managed care
2 organization (LME/MCO) responsible for the management and provision of mental health,
3 developmental disabilities, and substance use disorder services in New Hanover County under
4 the 1915(b)/(c) Medicaid Waiver, the establishment of a two-year pilot program to focus on
5 assessing and navigating individuals seeking mental health or substance use disorder services,
6 or both, to appropriate community-based services or other community resources in order to
7 reduce the utilization of hospital emergency department services for mental health and
8 substance use disorder services.

9 **SECTION 11F.7.(b)** Program Design and Location. – The pilot program shall be
10 conducted at New Hanover Regional Medical Center (NHRMC) and at Wellness City, operated
11 by Recovery Innovations, Inc., by a three-person centralized team. The three-person team shall
12 consist of the following individuals:

- 13 (1) A master's level, fully licensed clinician to perform comprehensive clinical
14 assessments of NHRMC patients and other New Hanover County residents
15 exhibiting symptoms of mental illness or substance use disorder who are
16 referred to the pilot program.
- 17 (2) A qualified professional to assist patients, particularly those with a
18 completed comprehensive clinical assessment, with identifying and
19 accessing appropriate community-based services or other community
20 resources.
- 21 (3) A North Carolina certified peer support specialist, with specialized training
22 and personal experience in successfully managing his or her own serious
23 mental illness or substance use disorder, to provide peer support services,
24 including encouraging patients to take personal responsibility for managing
25 their condition, assisting patients in establishing meaningful roles in society,
26 and providing patients with transportation to and from appointments.

27 **SECTION 11F.7.(c)** Reports. – By July 1, 2018, the LME/MCO responsible for
28 the management and provision of mental health, developmental disabilities, and substance
29 abuse services in New Hanover County, in collaboration with New Hanover Regional Medical
30 Center and Recovery Innovations, Inc., shall submit an interim report on the effectiveness of
31 the pilot program to the Department of Health and Human Services, Division of Mental Health,
32 Developmental Disabilities, and Substance Abuse Services (Division). By October 1, 2018, the
33 Division shall submit an interim report on the effectiveness of the program and the costs
34 associated with administering the program to the Joint Legislative Oversight Committee on
35 Health and Human Services and the Fiscal Research Division.

36 By July 1, 2019, the LME/MCO responsible for the management and provision of
37 mental health, developmental disabilities, and substance abuse services in New Hanover
38 County, in collaboration with New Hanover Regional Medical Center and Recovery
39 Innovations, Inc., shall submit a final report of the program to the Division. By October 1,
40 2019, the Division shall then submit a final report of the program to the Joint Legislative
41 Oversight Committee on Health and Human Services and the Fiscal Research Division. The
42 report shall include the Division's recommendations with respect to sustaining or expanding the
43 program.

44 **TRAUMATIC BRAIN INJURY FUNDING**

45 **SECTION 11F.8.** Of the funds appropriated in this act to the Department of Health
46 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
47 Abuse Services, the sum of two million three hundred seventy-three thousand eighty-six dollars
48 (\$2,373,086) for the 2017-2018 fiscal year and the sum of two million three hundred
49 seventy-three thousand eighty-six dollars (\$2,373,086) for the 2018-2019 fiscal year shall be
50 used exclusively to support traumatic brain injury (TBI) services as follows:
51

- 1 (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars
2 (\$359,218) shall be used to fund contracts with the Brain Injury Association
3 of North Carolina, Carolinas Rehabilitation, or other appropriate service
4 providers.
- 5 (2) The sum of seven hundred ninety-six thousand nine hundred thirty-four
6 dollars (\$796,934) shall be used to support residential programs across the
7 State that are specifically designed to serve individuals with TBI.
- 8 (3) The sum of one million two hundred sixteen thousand nine hundred
9 thirty-four dollars (\$1,216,934) shall be used to support requests submitted
10 by individual consumers for assistance with residential support services,
11 home modifications, transportation, and other requests deemed necessary by
12 the consumer's local management entity and primary care physician.
13

14 **ADULT AND PEDIATRIC TRAUMATIC BRAIN INJURY PILOT PROGRAM**

15 **SECTION 11F.9.(a)** Of the funds appropriated to the Department of Health and
16 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
17 Services, the sum of one hundred fifty thousand dollars (\$150,000) in nonrecurring funds for
18 the 2017-2018 fiscal year and the sum of three hundred thousand dollars (\$300,000) in
19 nonrecurring funds for the 2018-2019 fiscal year shall be used to develop and implement an
20 adult and pediatric traumatic brain injury pilot program. The purpose of the pilot program is to
21 increase compliance with internationally approved evidence-based treatment guidelines for
22 severe adult and pediatric traumatic brain injury in order to reduce patient mortality, improve
23 patient level of recovery, and reduce long-term care costs.

24 **SECTION 11F.9.(b)** The Department of Health and Human Services shall
25 establish up to three program sites to implement the adult and pediatric traumatic brain injury
26 pilot program authorized by this section, all of which shall be trauma hospitals. Each program
27 site shall be awarded up to one hundred thousand dollars (\$100,000) for the development and
28 implementation of an interactive quality assessment and quality assurance clinical decision
29 support tool to provide real-time, evidence-based medical care guidance for intensive care unit
30 patients with severe adult or pediatric traumatic brain injury.

31 **SECTION 11F.9.(c)** The Department of Health and Human Services shall contract
32 with a private entity to assist participating trauma hospitals in implementing the tool described
33 in subsection (b) of this section. In providing such implementation assistance, the private entity
34 shall utilize the treatment guidelines and practice recommendations that have been peer
35 reviewed and approved by the American Association of Neurological Surgeons and are
36 recognized as the current standard of care for individuals with severe traumatic brain injury.

37 **SECTION 11F.9.(d)** By February 1, 2018, the Department of Health and Human
38 Services shall submit a progress report on the development and implementation of the pilot
39 program authorized by this section to the Joint Legislative Oversight Committee on Health and
40 Human Services and the Fiscal Research Division.

41 **SECTION 11F.9.(e)** By January 7, 2019, the Department of Health and Human
42 Services shall submit a final report of the pilot program authorized by this section to the Joint
43 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
44 Division. At a minimum, the final report shall include all of the following:

- 45 (1) The number and outcome of patients served at each program site, broken
46 down by patient age and county of origin.
- 47 (2) A breakdown of expenditures at each program site by type of service.
- 48 (2) An estimate of the cost to expand the program incrementally and statewide.
- 49 (3) An estimate of any potential savings of State funds associated with
50 expansion of the program.

- 1 (4) If expansion of the program is recommended, a time line for expanding the
2 program.
3

4 **EXPANSION AND RENAMING OF PRESCRIPTION DRUG ABUSE ADVISORY**
5 **COMMITTEE**

6 **SECTION 11F.10.** Subsections (m) through (q) of Section 12F.16 of S.L.
7 2015-241 are codified as G.S. 90-113.75A and read as rewritten:

8 "**§ 90-113.75A. Opioid and Prescription Drug Abuse Advisory Committee; statewide**
9 **strategic plan.**

10 (a) There is hereby created the Opioid and Prescription Drug Abuse Advisory
11 Committee, to be housed in and staffed by the ~~Department of Health and Human Services~~
12 ~~(DHHS)-Department~~. The Committee shall develop and, through its members, implement a
13 statewide strategic plan to combat the problem of opioid and prescription drug abuse. The
14 Committee shall include representatives from the following, as well as any other persons
15 designated by the Secretary of Health and Human Services:

- 16 (1) The ~~Department's~~ Division of Medical Assistance, DHHS-Assistance.
17 (2) The ~~Department's~~ Division of Mental Health, Developmental Disabilities,
18 and Substance Abuse Services, DHHS-Services.
19 (3) The ~~Department's~~ Division of Public Health, DHHS-Health.
20 (4) The Rural Health Section of the ~~Department's~~ Division of Public Health,
21 DHHS-Health.
22 (4a) The Divisions of Adult Correction and Juvenile Justice of the Department of
23 Public Safety.
24 (5) The State Bureau of Investigation.
25 (6) The Attorney General's Office.
26 (7) The following health care regulatory boards with oversight of prescribers
27 and dispensers of opioids and other prescription drugs:
28 a. North Carolina Board of Dental Examiners.
29 b. North Carolina Board of Nursing.
30 c. North Carolina Board of Podiatry Examiners.
31 d. North Carolina Medical Board.
32 e. North Carolina Board of Pharmacy.
33 (8) The UNC Injury Prevention Research Center.
34 (9) The substance abuse treatment community.
35 (10) Governor's Institute on Substance Abuse, Inc.
36 (11) The Department of Insurance's drug take-back program.

37 After developing the strategic plan, the Committee shall be the State's steering committee to
38 monitor achievement of strategic objectives and receive regular reports on progress made
39 toward reducing opioid and prescription drug abuse in North Carolina.

40 (b) In developing the statewide strategic plan to combat the problem of opioid and
41 prescription drug abuse, the Opioid and Prescription Drug Abuse Advisory Committee shall, at
42 a minimum, complete the following steps:

- 43 (1) Identify a mission and vision for North Carolina's system to reduce and
44 prevent opioid and prescription drug abuse.
45 (2) Scan the internal and external environment for the system's strengths,
46 weaknesses, opportunities, and challenges (a SWOC analysis).
47 (3) Compare threats and opportunities to the system's ability to meet challenges
48 and seize opportunities (a GAP analysis).
49 (4) Identify strategic issues based on SWOC and GAP analyses.
50 (5) Formulate strategies and resources for addressing these issues.

1 (c) The strategic plan for reducing opioid and prescription drug abuse shall include
2 three to five strategic goals that are outcome-oriented and measureable. Each goal must be
3 connected with objectives supported by the following five mechanisms of the system:

- 4 (1) Oversight and regulation of prescribers and dispensers by State health care
5 regulatory boards.
- 6 (2) Operation of the Controlled Substances Reporting System.
- 7 (3) Operation of the Medicaid lock-in program to review behavior of patients
8 with high use of prescribed controlled substances.
- 9 (4) Enforcement of State laws for the misuse and diversion of controlled
10 substances.
- 11 (5) Any other appropriate mechanism identified by the Committee.

12 (d) ~~DHHS, The Department,~~ in consultation with the Opioid and Prescription Drug
13 Abuse Advisory Committee, shall develop and implement a formalized performance
14 management system that connects the goals and objectives identified in the statewide strategic
15 plan to operations of the Controlled Substances Reporting System and Medicaid lock-in
16 program, law enforcement activities, and oversight of prescribers and dispensers. The
17 performance management system must be designed to monitor progress toward achieving goals
18 and objectives and must recommend actions to be taken when performance falls short.

19 (e) Beginning on December 1, 2016, and annually thereafter, ~~DHHS—the Department~~
20 shall submit an annual report on the performance of North Carolina's system for monitoring
21 opioid and prescription drug abuse to the Joint Legislative Oversight Committee on Health and
22 Human ~~Services and Services,~~ the Joint Legislative Oversight Committee on Justice and Public
23 ~~Safety-Safety,~~ and the Fiscal Research Division."
24

25 **STUDY CONTINUING EDUCATION FOR HEALTH CARE PROVIDERS LICENSED** 26 **TO PRESCRIBE CONTROLLED SUBSTANCES**

27 **SECTION 11F.11.(a)** By December 1, 2017, the North Carolina Area Health
28 Education Centers Program is encouraged to report to the Joint Legislative Oversight
29 Committee on Health and Human Services and the Fiscal Research Division on the feasibility
30 of providing a continuing education course for health care providers licensed to prescribe
31 controlled substances in this State. The course shall include instruction on at least all of the
32 following:

- 33 (1) Controlled substance prescribing practices.
- 34 (2) Controlled substance prescribing for chronic pain management.
- 35 (3) Misuse and abuse of controlled substances.

36 **SECTION 11F.11.(b)** This section is effective when this act becomes law.
37

38 **CLOSURE OF WRIGHT SCHOOL**

39 **SECTION 11F.12.(a)** The Department of Health and Human Services shall not
40 allow any new admissions or readmissions to the Wright School after June 30, 2017. The
41 Department shall, in consultation with local management entities/managed care organizations,
42 develop a plan to transition all students enrolled at the Wright School to other appropriate
43 educational and treatment settings.

44 **SECTION 11F.12.(b)** By September 30, 2017, the Department shall permanently
45 cease operations at the Wright School.

46 **SECTION 11F.12.(c)** G.S. 122C-181(a)(5)b. is repealed effective October 1, 2017.
47

48 **BROUGHTON HOSPITAL LITIGATION COSTS RELATED TO CONSTRUCTION** 49 **DELAYS**

50 **SECTION 11F.13.** Funds appropriated in this act to the Department of Health and
51 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse

1 Services, for Broughton Hospital, in the sum of three million five hundred thousand dollars
2 (\$3,500,000) in nonrecurring funds for each year of the 2017-2019 fiscal biennium shall be
3 used to offset the following costs arising from delays in the construction of the new Broughton
4 Hospital:

- 5 (1) Litigation costs resulting from anticipated or pending litigation against
6 private third parties. The Secretary of the Department of Health and Human
7 Services may retain private legal counsel to represent the interest of the State
8 in such litigation, as provided in G.S. 147-17(c1), as amended by this act,
9 and G.S. 114-2.3(d), as amended by this act.
- 10 (2) Costs related to design changes, technology changes, continued use of the
11 existing hospital, staffing, and other costs directly related to the delays in
12 construction.
- 13 (3) Costs to equip the new hospital.
- 14 (4) Administrative costs.

15 16 **SUBPART XI-G. DIVISION OF HEALTH SERVICE REGULATION**

17 18 **FUNDS TO CONTINUE NEW HANOVER REGIONAL EMERGENCY MEDICAL** 19 **SERVICES COMMUNITY PARAMEDICINE PILOT PROGRAM**

20 **SECTION 11G.1.(a)** Of the funds appropriated in this act to the Department of
21 Health and Human Services, Division of Health Service Regulation, the sum of two hundred
22 ten thousand dollars (\$210,000) in nonrecurring funds for the 2017-2018 fiscal year and the
23 sum of two hundred ten thousand dollars (\$210,000) in nonrecurring funds for the 2018-2019
24 fiscal year shall be used to continue the community paramedicine pilot program site at New
25 Hanover Regional Emergency Medical Services. The focus of this community paramedicine
26 pilot program site shall continue to be expansion of the role of paramedics to allow for
27 community-based initiatives that result in providing care that avoids nonemergency use of
28 emergency rooms and 911 services and avoidance of unnecessary admissions into health care
29 facilities.

30 **SECTION 11G.1.(b)** The participation requirements, objectives, standards, and
31 required outcomes for the New Hanover Regional Emergency Medical Services pilot program
32 site shall remain the same as established pursuant to Section 12A.12 of S.L. 2015-241, as
33 amended by Section 12A.3 of S.L. 2016-94.

34 **SECTION 11G.1.(c)** By November 1, 2019, the Department of Health and Human
35 Services shall submit an updated report of the New Hanover Regional Emergency Medical
36 Services community paramedicine pilot program site to the Joint Legislative Oversight
37 Committee on Health and Human Services and the Fiscal Research Division.

38 39 **FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE**

40 **SECTION 11G.2.(a)** G.S. 131E-77(e1) reads as rewritten:

41 "(e1) Any license issued by the Department shall include only ~~facilities, premises,~~
42 ~~buildings, outpatient clinics, and other locations~~ facilities (i) operated by the hospital within a
43 single county and (ii) operated by the hospital in an immediately adjoining county; provided,
44 however, that ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities
45 operated by a hospital in an immediately adjoining county shall only be included within the
46 same hospital license if the applicant hospital demonstrates all of the following to the
47 satisfaction of the Department:

- 48 (1) There was previously only one hospital licensed by the Department ~~and~~
49 providing inpatient services in the immediately adjoining county.
- 50 (2) The licensed ~~inpatient~~ hospital in the immediately adjoining county
51 described in subdivision (1) of this subsection closed or otherwise ceased

1 providing hospital services to patients no more than three years prior to the
2 date the applicant hospital first applied to license a ~~facility, premises,~~
3 ~~building, outpatient clinic, or location~~ facility in such immediately adjoining
4 county.

5 If the Department approves ~~an applicant~~ a hospital's initial request to include within its
6 hospital licensure ~~an initial facility, premises, building, outpatient clinic, or other location~~
7 license a facility in an immediately adjoining county, then any other ~~designated facilities,~~
8 ~~premises, buildings, outpatient clinics, or other locations~~ hospital services thereafter developed
9 and operated by the applicant in such immediately adjoining county in accordance with
10 applicable law may also be included within and covered by the license issued to the applicant
11 by the Department."

12 **SECTION 11G.2.(b)** This section is effective when this act becomes law.
13

14 **MORATORIUM ON SPECIAL CARE UNIT LICENSES**

15 **SECTION 11G.3.(a)** For the period beginning July 1, 2017, and ending June 30,
16 2019, the Department of Health and Human Services, Division of Health Service Regulation,
17 shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and
18 G.S. 131E-114. This prohibition shall not restrict the Department of Health and Human
19 Services from doing any of the following:

- 20 (1) Issuing a license to a facility that is acquiring an existing special care unit.
- 21 (2) Issuing a license for a special care unit in any area of the State upon a
22 determination by the Secretary of the Department of Health and Human
23 Services that increased access to this type of care is necessary in that area
24 during the moratorium imposed by this section.
- 25 (3) Processing all completed applications for special care unit licenses received
26 by the Division of Health Service Regulation along with the applicable
27 license fee prior to June 1, 2013.
- 28 (4) Issuing a license to a facility that was in possession of a certificate of need as
29 of July 31, 2013, that included authorization to operate special care unit
30 beds.

31 **SECTION 11G.3.(b)** The Department of Health and Human Services shall submit
32 a report to the Joint Legislative Oversight Committee on Health and Human Services and the
33 Fiscal Research Division by March 1, 2019, containing at least the following information:

- 34 (1) The number of licensed special care units in the State.
- 35 (2) The capacity of the currently licensed special care units to serve people in
36 need of their services.
- 37 (3) The anticipated growth in the number of people who will need the services
38 of a licensed special care unit.
- 39 (4) The number of applications received from special care units seeking
40 licensure as permitted by this section and the number of those applications
41 that were not approved.

42 **SECTION 11G.3.(c)** This section becomes effective July 1, 2017.
43

44 **CERTIFICATE OF NEED EXEMPTIONS**

45 **SECTION 11G.4.(a)** G.S. 131E-175 is amended by adding new subdivisions to
46 read:

- 47 "(13) That ophthalmologists providing ocular surgical procedures in unlicensed
48 settings should be given an opportunity to obtain a license to provide those
49 services to ensure the safety of patients and the provision of quality care.

1 (14) That demand for ocular surgical procedures is increasing due to the growth
 2 of the elderly population and scientific and technological advancements that
 3 have increased the safety and efficacy of these procedures."

4 **SECTION 11G.4.(b)** G.S. 131E-176 reads as rewritten:

5 **"§ 131E-176. Definitions.**

6 As used in this Article, unless the context clearly requires otherwise, the following terms
 7 have the meanings specified:

8 ...
 9 (2) "Bed capacity" means space used exclusively for inpatient care, including
 10 space designed or remodeled for licensed inpatient beds even though
 11 temporarily not used for such purposes. The number of beds to be counted in
 12 any patient room shall be the maximum number for which adequate square
 13 footage is provided as established by rules of the Department except that
 14 single beds in single rooms are counted even if the room contains inadequate
 15 square footage. The term "bed capacity" also refers to the number of dialysis
 16 stations in kidney disease treatment centers, including freestanding dialysis
 17 units. The term "bed capacity" does not include space used as a psychiatric
 18 facility or hospice inpatient facility.

19 ...
 20 (9b) "Health service facility" means a hospital; long-term care hospital;
 21 ~~psychiatric facility~~; rehabilitation facility; nursing home facility; adult care
 22 home; kidney disease treatment center, including freestanding hemodialysis
 23 units; intermediate care facility for the mentally retarded; home health
 24 agency office; chemical dependency treatment facility; diagnostic center;
 25 ~~hospice office, hospice inpatient facility, hospice office or hospice~~
 26 residential care facility; and ambulatory surgical facility.

27 (9c) "Health service facility bed" means a bed licensed for use in a health service
 28 facility in the categories of (i) acute care beds; (ii) ~~psychiatric beds~~; (iii)
 29 rehabilitation beds; ~~(iv)~~(iii) nursing home beds; ~~(v)~~(iv) intermediate care
 30 beds for the mentally retarded; ~~(vi)~~(v) chemical dependency treatment beds;
 31 ~~(vii) hospice inpatient facility beds~~; ~~(viii)~~ (vi) hospice residential care facility
 32 beds; ~~(ix)~~(vii) adult care home beds; and ~~(x)~~(viii) long-term care hospital
 33 beds.

34 ...
 35 (13b) "Hospice inpatient facility" means a freestanding licensed hospice facility or
 36 a designated inpatient unit in an existing health service facility which
 37 provides palliative and supportive medical and other health services to meet
 38 the physical, psychological, social, spiritual, and special needs of terminally
 39 ill patients and their families in an inpatient setting. ~~For purposes of this~~
 40 ~~Article only, a hospital which has a contractual agreement with a licensed~~
 41 ~~hospice to provide inpatient services to a hospice patient as defined in G.S.~~
 42 ~~131E-201(4) and provides those services in a licensed acute care bed is not a~~
 43 ~~hospice inpatient facility and is not subject to the requirements in G.S.~~
 44 ~~131E-176(5)(ii) for hospice inpatient beds.~~

45 ...
 46 (16) "New institutional health services" means any of the following:
 47 ...
 48 n. The construction, development or other establishment of a ~~hospice,~~
 49 ~~hospice inpatient facility,~~ hospice or hospice residential care facility;
 50 o. The opening of an additional office by an existing home health
 51 agency or ~~hospice~~ hospice, not including a hospice inpatient facility,

1 within its service area as defined by rules adopted by the
 2 Department; or the opening of any office by an existing home health
 3 agency or ~~hospice-hospice~~, not including a hospice inpatient facility,
 4 outside its service area as defined by rules adopted by the
 5 Department.

6 ...
 7 (17c) "Ocular surgical procedure" means a surgical procedure performed by an
 8 ophthalmologist licensed to practice in this State on the eye or its adnexa,
 9 including refractive surgery, cataract surgery, and glaucoma surgery.

10 (17d) "Ocular surgical procedure room" means a room used by an ophthalmologist
 11 licensed to practice in this State for the performance of an ocular surgical
 12 procedure that (i) requires local, regional, or general anesthesia and a period
 13 of less than 24 hours of post-operative observation for diagnostic or
 14 therapeutic purposes and (ii) does not constitute an ambulatory surgical
 15 program as defined in subdivision (1c) of this section.

16"

17 SECTION 11G.4.(c) G.S. 131E-178 reads as rewritten:

18 "§ 131E-178. **Activities requiring certificate of ~~need~~need; limited exemption for**
 19 **gastrointestinal endoscopy procedures and ocular surgical procedures.**

20 (a) No person shall offer or develop a new institutional health service without first
 21 obtaining a certificate of need from the ~~Department; provided, however, no~~ Department, except
 22 as provided in subsections (a1) and (a2) of this section.

23 (a1) No person who provides gastrointestinal endoscopy procedures in one or more
 24 gastrointestinal endoscopy rooms located in a nonlicensed setting, shall be required to obtain a
 25 certificate of need to license that setting as an ambulatory surgical facility with the existing
 26 number of gastrointestinal endoscopy rooms, provided ~~that~~that the person meets all of the
 27 following criteria:

- 28 (1) The license application is postmarked for delivery to the Division of Health
 29 Service Regulation by December 31, ~~2006~~2006.
- 30 (2) The applicant verifies, by affidavit submitted to the Division of Health
 31 Service Regulation within 60 days of the effective date of this act, that the
 32 facility is in operation as of the effective date of this act or that the
 33 completed application for the building permit for the facility was submitted
 34 by the effective date of this ~~aet~~act.
- 35 (3) The facility has been accredited by The Accreditation Association for
 36 Ambulatory Health Care, The Joint Commission on Accreditation of
 37 Healthcare Organizations, or The American Association for Accreditation of
 38 Ambulatory Surgical Facilities by the time the license application is
 39 postmarked for delivery to the Division of Health Service Regulation of the
 40 ~~Department; and~~Department.
- 41 (4) The license application includes a commitment and plan for serving indigent
 42 and medically underserved populations.

43 All other persons proposing to obtain a license to establish an
 44 ambulatory surgical facility for the provision of gastrointestinal endoscopy
 45 procedures shall be required to obtain a certificate of need. The annual State
 46 Medical Facilities Plan shall not include policies or need determinations that
 47 limit the number of gastrointestinal endoscopy rooms that may be approved.

48 (a2) No ophthalmologist who provides ocular surgical procedures in one or more ocular
 49 surgical procedure rooms located in a nonlicensed setting shall be required to obtain a
 50 certificate of need to license that setting as an ambulatory surgical facility with the existing

1 number of ocular surgical procedure rooms, provided that the ophthalmologist meets all of the
2 following criteria:

- 3 (1) The license application is postmarked for delivery to the Division of Health
4 Service Regulation by December 31, 2017.
- 5 (2) The applicant verifies, by affidavit submitted to the Division of Health
6 Service Regulation within 60 days after the effective date of this act, that the
7 facility is in operation as of the effective date of this act or that the
8 completed application for the building permit for the facility was submitted
9 by the effective date of this act.
- 10 (3) The facility has been accredited by the Accreditation Association for
11 Ambulatory Health Care, the Joint Commission on Accreditation of
12 Healthcare Organizations, or the American Association for Accreditation of
13 Ambulatory Surgical Facilities by the time the license application is
14 postmarked for delivery to the Division of Health Service Regulation of the
15 Department.
- 16 (4) The license application includes a commitment to and plan for serving
17 indigent and medically underserved populations.

18 All other persons proposing to obtain a license to establish an ambulatory surgical facility for
19 the provision of ocular surgical procedures shall be required to obtain a certificate of need. The
20 annual State Medical Facilities Plan shall not include policies or need determinations that limit
21 the number of ocular surgical procedure rooms that may be approved.

22 "

23 **SECTION 11G.4.(d)** G.S. 131E-184 is amended by adding new subsections to
24 read:

25 "(i) The Department shall exempt from certificate of need review the construction,
26 development, acquisition, or establishment of an ambulatory surgical facility, provided all of
27 the following criteria are met:

- 28 (1) If the applicant seeking this exemption is a physician or group of physicians
29 licensed to practice in this State under Chapter 90 of the General Statutes,
30 the applicant shall make every effort to enter into a joint venture for the
31 construction, development, acquisition, or establishment of the ambulatory
32 surgical facility with an acute care or critical access hospital licensed under
33 Chapter 131E of the General Statutes that is nearest in proximity to the
34 proposed ambulatory surgical facility. If the physician or group of
35 physicians and the nearest acute care or critical access hospital are unable to
36 reach agreement on a joint venture for the construction, development, or
37 establishment of an ambulatory surgical facility, then the physician or group
38 of physicians shall provide written notification of this inability to reach
39 agreement to the Department on forms and in the manner prescribed by the
40 Department. Upon receipt of written confirmation from the Department that
41 the exemption authorized by this section applies, the applicant may proceed
42 with constructing, developing, acquiring, or establishing the ambulatory
43 surgical facility.
- 44 (2) The ambulatory surgical facility must have an agreement with a hospital
45 within a reasonable distance from the facility, or the medical staff at the
46 ambulatory surgical facility must have hospital privileges or other
47 documented arrangements with a hospital that are deemed sufficient by the
48 Department to ensure that inpatient hospital services will be available to
49 address any medical complications that require a patient of the ambulatory
50 surgical facility to be admitted to a hospital for inpatient care.

1 (3) The ambulatory surgical facility must have the capability to immediately
2 transfer a patient to a hospital with adequate emergency room services and
3 that is within a reasonable distance from the facility.

4 (4) The ambulatory surgical facility must comply with all requirements of the
5 Ambulatory Surgical Facility Licensure Act set forth in Part 4 of Article 6 of
6 Chapter 131E of the General Statutes, including the licensure requirements
7 specified in G.S. 131E-147.

8 (j) The Department shall exempt from certificate of need review the following
9 activities by a community hospital with 200 acute care beds or fewer as of December 31, 2016:

10 (1) The development of a new institutional health service.

11 (2) The construction, development, or other establishment of a new health
12 service facility, or a portion thereof.

13 (3) The acquisition of major medical equipment, magnetic resonance imaging
14 equipment, a lithotripter, or a linear accelerator."

15 **SECTION 11G.4.(e)** This section becomes effective October 1, 2017. Any
16 psychiatric facility or hospice inpatient facility which had operated under a certificate of need
17 prior to the effective date of this act shall be exempt from certificate of need review after the
18 effective date of this act.

20 **REPEAL OF CERTIFICATE OF NEED LAWS**

21 **SECTION 11G.5.(a)** G.S. 6-19.1(a) reads as rewritten:

22 "(a) In any civil action, other than an adjudication for the purpose of establishing or
23 fixing a rate, or a disciplinary action by a licensing board, brought by the State or brought by a
24 party who is contesting State action pursuant to G.S. 150B-43 or any other appropriate
25 provisions of law, unless the prevailing party is the State, the court may, in its discretion, allow
26 the prevailing party to recover reasonable attorney's fees, including attorney's fees applicable to
27 the administrative review portion of the case, in contested cases arising under Article 3 of
28 Chapter 150B, to be taxed as court costs against the appropriate agency if:

29 (1) The court finds that the agency acted without substantial justification in
30 pressing its claim against the party; and

31 (2) The court finds that there are no special circumstances that would make the
32 award of attorney's fees unjust. The party shall petition for the attorney's fees
33 within 30 days following final disposition of the case. The petition shall be
34 supported by an affidavit setting forth the basis for the request.

35 ~~Nothing in this section shall be deemed to authorize the assessment of attorney's fees for the~~
36 ~~administrative review portion of the case in contested cases arising under Article 9 of Chapter~~
37 ~~131E of the General Statutes.~~

38 Nothing in this section grants permission to bring an action against an agency otherwise
39 immune from suit or gives a right to bring an action to a party who otherwise lacks standing to
40 bring the action.

41 Any attorney's fees assessed against an agency under this section shall be charged against
42 the operating expenses of the agency and shall not be reimbursed from any other source."

43 **SECTION 11G.5.(b)** Subsection (a) of this section applies to contested cases
44 arising on or after January 1, 2025.

45 **SECTION 11G.5.(c)** G.S. 58-50-61(a) reads as rewritten:

46 "(a) Definitions. – As used in this section, in G.S. 58-50-62, and in Part 4 of this Article,
47 the term:

48 ...

49 (8) "Health care provider" means any person who is licensed, registered, or
50 certified under Chapter 90 of the General Statutes or the laws of another
51 state to provide health care services in the ordinary care of business or

1 practice or a profession or in an approved education or training program; a
 2 health care facility as defined in ~~G.S. 131E-176(9b)~~ this section or the laws
 3 of another state to operate as a health care facility; or a pharmacy.

4 ...

5 (9a) "Health service facility" means a hospital; long-term care hospital;
 6 psychiatric facility; rehabilitation facility; nursing home facility; adult care
 7 home; kidney disease treatment center, including freestanding hemodialysis
 8 units; intermediate care facility for the mentally retarded; home health
 9 agency office; chemical dependency treatment facility; diagnostic center;
 10 hospice office, hospice inpatient facility, and hospice residential care
 11 facility; and ambulatory surgical facility.

12"

13 **SECTION 11G.5.(d)** G.S. 58-55-35(a) reads as rewritten:

14 "(a) Whenever long-term care insurance provides coverage for the facilities, services, or
 15 physical or mental conditions listed below, unless otherwise defined in the policy and
 16 certificate, and approved by the Commissioner, such facilities, services, or conditions are
 17 defined as follows:

18 ...

19 (10) ~~"Hospice" shall be defined in accordance with the terms of G.S.~~
 20 ~~131E-176(13a).means any coordinated program of home care with provision~~
 21 ~~for inpatient care for terminally ill patients and their families. This care is~~
 22 ~~provided by a medically directed interdisciplinary team directly or through~~
 23 ~~an agreement under the direction of an identifiable hospice administration. A~~
 24 ~~hospice program of care provides palliative and supportive medical and~~
 25 ~~other health services to meet the physical, psychological, social, spiritual,~~
 26 ~~and special needs of patients and their families, which are experienced~~
 27 ~~during the final stages of terminal illness and during dying and bereavement.~~

28 (11) ~~"Intermediate care facility for the mentally retarded" shall be defined in~~
 29 ~~accordance with the terms of G.S. 131E-176(14a).means facilities licensed~~
 30 ~~pursuant to Article 2 of Chapter 122C of the General Statutes for the purpose~~
 31 ~~of providing health and habilitative services based on the developmental~~
 32 ~~model and principles of normalization for persons with mental retardation,~~
 33 ~~autism, cerebral palsy, epilepsy, or related conditions.~~

34"

35 **SECTION 11G.5.(e)** G.S. 113A-12(3)e. reads as rewritten:

36 "e. A health care facility financed pursuant to Chapter 131A of the
 37 General Statutes ~~or receiving a certificate of need under Article 9 of~~
 38 ~~Chapter 131E of the General Statutes."~~

39 **SECTION 11G.5.(f)** G.S. 122C-23.1(e) reads as rewritten:

40 "(e) As used in this section, "residential treatment facility" means a "residential facility"
 41 as defined in and licensed under this Chapter, ~~but not subject to Certificate of Need~~
 42 ~~requirements under Article 9 of Chapter 131E of the General Statutes.~~ Chapter."

43 **SECTION 11G.5.(g)** G.S. 131E-13(a)(1) reads as rewritten:

44 "(1) The corporation shall continue to provide the same or similar clinical
 45 hospital services to its patients in medical-surgery, obstetrics, pediatrics,
 46 outpatient and emergency treatment, including emergency services for the
 47 indigent, that the hospital facility provided prior to the lease, sale, or
 48 conveyance. These services may be terminated only as prescribed ~~by~~
 49 ~~Certificate of Need Law prescribed in Article 9 of Chapter 131E of the~~
 50 ~~General Statutes, or, if Certificate of Need Law is inapplicable, by review~~

1 procedure designed to guarantee public participation pursuant to rules
 2 adopted by the Secretary of the Department of Health and Human Services."

3 **SECTION 11G.5.(h)** G.S. 131E-136(4) reads as rewritten:

4 "(4) "Home health agency" means a home care agency which is certified to
 5 receive Medicare and Medicaid reimbursement for providing nursing care,
 6 therapy, medical social services, and home health aide services on a
 7 part-time, intermittent ~~basis as set out in G.S. 131E-176(12), and is thereby~~
 8 ~~also subject to Article 9 of Chapter 131E.~~ basis."

9 **SECTION 11G.5.(i)** G.S. 148-19.1 reads as rewritten:

10 **"§ 148-19.1. Exemption from licensure and certificate of need. licensure.**

11 (a) Inpatient chemical dependency or substance abuse facilities that provide services
 12 exclusively to inmates of the Division of Adult Correction of the Department of Public Safety
 13 shall be exempt from licensure by the Department of Health and Human Services under
 14 Chapter 122C of the General Statutes. If an inpatient chemical dependency or substance abuse
 15 facility provides services both to inmates of the Division of Adult Correction of the Department
 16 of Public Safety and to members of the general public, the portion of the facility that serves
 17 inmates shall be exempt from licensure.

18 (b) ~~Any person who contracts to provide inpatient chemical dependency or substance~~
 19 ~~abuse services to inmates of the Division of Adult Correction of the Department of Public~~
 20 ~~Safety may construct and operate a new chemical dependency or substance abuse facility for~~
 21 ~~that purpose without first obtaining a certificate of need from the Department of Health and~~
 22 ~~Human Services pursuant to Article 9 of Chapter 131E of the General Statutes. However, a new~~
 23 ~~facility or addition developed for that purpose without a certificate of need shall not be licensed~~
 24 ~~pursuant to Chapter 122C of the General Statutes and shall not admit anyone other than inmates~~
 25 ~~unless the owner or operator first obtains a certificate of need."~~

26 **SECTION 11G.5.(j)** Article 9 of Chapter 131E of the General Statutes,
 27 G.S. 130A-45.02(i), 143B-1292, 150B-2(8a)k., and 150B-21.1(6) are repealed.

28 **SECTION 11G.5.(k)** By April 1, 2018, the Department of Health and Human
 29 Services, Division of Health Service Regulation, shall identify and report to the Joint
 30 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
 31 Division any health service facilities or activities that should be exempt from certificate of need
 32 review under Article 9 of Chapter 131E of the General Statutes prior to January 1, 2025.

33 **SECTION 11G.5.(l)** Subsection (k) of this section becomes effective when this act
 34 becomes law. The remainder of this section becomes effective January 1, 2025.

35
 36 **SUBPART XI-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**

37
 38 **MEDICAID ELIGIBILITY**

39 **SECTION 11H.1.(a)** Families and children who are categorically and medically
 40 needy are eligible for Medicaid, subject to the following annual income levels:

	Categorically	Medically
Family	Needy	Needy
Size	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

1 The Department of Health and Human Services shall provide Medicaid coverage to 19- and
2 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid
3 enrollment of categorically needy families with children shall be continuous for one year
4 without regard to changes in income or assets.

5 **SECTION 11H.1.(b)** For the following Medicaid eligibility classifications for
6 which the federal poverty guidelines are used as income limits for eligibility determinations,
7 the income limits will be updated each April 1 immediately following publication of federal
8 poverty guidelines. The Department of Health and Human Services, Division of Medical
9 Assistance, shall provide Medicaid coverage to the following:

- 10 (1) All elderly, blind, and disabled people who have incomes equal to or less
11 than one hundred percent (100%) of the federal poverty guidelines.
- 12 (2) Pregnant women with incomes equal to or less than one hundred ninety-six
13 percent (196%) of the federal poverty guidelines and without regard to
14 resources. Services to pregnant women eligible under this subsection
15 continue throughout the pregnancy but include only those related to
16 pregnancy and to those other conditions determined by the Department as
17 conditions that may complicate pregnancy.
- 18 (3) Infants under the age of one with family incomes equal to or less than two
19 hundred ten percent (210%) of the federal poverty guidelines and without
20 regard to resources.
- 21 (4) Children aged one through five with family incomes equal to or less than
22 two hundred ten percent (210%) of the federal poverty guidelines and
23 without regard to resources.
- 24 (5) Children aged six through 18 with family incomes equal to or less than one
25 hundred thirty-three percent (133%) of the federal poverty guidelines and
26 without regard to resources.

27 The Department of Health and Human Services, Division of Medical Assistance,
28 shall also provide family planning services to men and women of childbearing age with family
29 incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty
30 guidelines and without regard to resources.

31 **SECTION 11H.1.(c)** The Department of Health and Human Services, Division of
32 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or
33 rehabilitative needs, regardless of the adoptive family's income.

34 **SECTION 11H.1.(d)** The Department of Health and Human Services, Division of
35 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"
36 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §
37 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

38 **SECTION 11H.1.(e)** The Department of Health and Human Services, Division of
39 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast
40 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

41 42 **MEDICAID ANNUAL REPORT**

43 **SECTION 11H.2.** The Department of Health and Human Services, Division of
44 Medical Assistance (Division), shall continue the publication of the Medicaid Annual Report
45 and accompanying tables. The Division shall publish the report and tables on its Web site no
46 later than December 31 following each State fiscal year.

47 48 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

49 **SECTION 11H.3.** Chapter 108C of the General Statutes is amended by adding a
50 new section to read:

51 **"§ 108C-2.1. Provider application and recredentialing fee.**

1 (a) Each provider that submits an application to enroll in the Medicaid program shall
2 submit an application fee. The application fee shall be the sum of the amount federally required
3 and one hundred dollars (\$100.00).

4 (b) The fee required under subsection (a) of this section shall be charged to all providers
5 at recredentialing every five years."

6 7 **ADMINISTRATIVE HEARINGS FUNDING**

8 **SECTION 11H.4.** Of the funds appropriated to the Department of Health and
9 Human Services, Division of Medical Assistance, for administrative contracts and interagency
10 transfers, the Department of Health and Human Services (Department) shall transfer the sum of
11 one million dollars (\$1,000,000) for the 2017-2018 fiscal year and the sum of one million
12 dollars (\$1,000,000) for the 2018-2019 fiscal year to the Office of Administrative Hearings
13 (OAH). These funds shall be allocated by the OAH for mediation services provided for
14 Medicaid applicant and recipient appeals and to contract for other services necessary to conduct
15 the appeals process. The OAH shall continue the Memorandum of Agreement (MOA) with the
16 Department for mediation services provided for Medicaid recipient appeals and contracted
17 services necessary to conduct the appeals process. The MOA will facilitate the Department's
18 ability to draw down federal Medicaid funds to support this administrative function. Upon
19 receipt of invoices from the OAH for covered services rendered in accordance with the MOA,
20 the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

21 22 **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

23 **SECTION 11H.5.(a)** Receivables reserved at the end of the 2017-2018 and
24 2018-2019 fiscal years shall, when received, be accounted for as nontax revenue for each of
25 those fiscal years.

26 **SECTION 11H.5.(b)** For the 2017-2018 fiscal year, the Department of Health and
27 Human Services shall deposit from its revenues one hundred sixty-four million seven hundred
28 thousand dollars (\$164,700,000) with the Department of State Treasurer to be accounted for as
29 nontax revenue. For the 2018-2019 fiscal year, the Department of Health and Human Services
30 shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars
31 (\$149,600,000) with the Department of State Treasurer to be accounted for as nontax revenue.
32 These deposits shall represent the return of General Fund appropriations, nonfederal revenue,
33 fund balances, or other resources from State-owned and State-operated hospitals that are used
34 to provide indigent and nonindigent care services. The return from State-owned and
35 State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal
36 to the amount of the payments from the Division of Medical Assistance for uncompensated
37 care. The treatment of any revenue derived from federal programs shall be in accordance with
38 the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

39 40 **VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT**

41 **SECTION 11H.6.** The Department of Health and Human Services, Division of
42 Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan,
43 contract for services, medical equipment, supplies, and appliances by implementation of
44 volume purchase plans, single source procurement, or other contracting processes in order to
45 improve cost containment.

46 47 **ANNUAL ISSUANCE OF MEDICAID IDENTIFICATION CARDS**

48 **SECTION 11H.7.** The Department of Health and Human Services (Department)
49 shall issue Medicaid identification cards to recipients on an annual basis with updates as
50 needed. The Department shall adopt rules, or amend any current rules relating to Medicaid
51 identification cards, to implement this section.

LME/MCO OUT-OF-NETWORK AGREEMENTS

SECTION 11H.8.(a) The Department of Health and Human Services (Department) shall continue to 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. 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 11H.8.(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.

MEDICAID CONTINGENCY RESERVE

SECTION 11H.9.(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. These funds shall be available for expenditure only upon an appropriation by act of the General Assembly. 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.

1 **SECTION 11H.9.(b)** Nothing in this section shall be construed to limit the
2 authority of the Governor to carry out his duties under the Constitution.

3
4 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

5 **SECTION 11H.10.** The local management entities/managed care organizations
6 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human
7 Services, Division of Medical Assistance (DMA), in an aggregate amount of seventeen million
8 seven hundred thirty-six thousand nine hundred eighty-five dollars (\$17,736,985) in the
9 2017-2018 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand
10 two hundred seventeen dollars (\$18,028,217) for the 2018-2019 fiscal year. The amount of the
11 intergovernmental transfer that each individual LME/MCO is required to make in each fiscal
12 year shall be as follows:

	2017-2018	2018-2019
13 Alliance Behavioral Healthcare	\$2,994,703	\$3,043,874
14 Cardinal Innovations Healthcare	\$4,118,912	\$4,186,543
15 Eastpointe	\$2,011,858	\$2,044,892
16 Partners Behavioral Health Management	\$1,913,793	\$1,945,216
17 Sandhills Center	\$1,924,822	\$1,956,427
18 Trillium Health Resources	\$2,457,426	\$2,497,775
19 Vaya Health	\$2,315,471	\$2,353,490

20
21 In the event that any county disengages from an LME/MCO and realigns with
22 another LME/MCO during the 2017-2019 fiscal biennium, DMA shall have the authority to
23 reallocate the amount of the intergovernmental transfer that each affected LME/MCO is
24 required to make, taking into consideration the change in catchment area and covered
25 population, provided that the aggregate amount of the transfers received from all LME/MCOs
26 in each year of the fiscal biennium are achieved.

27
28 **EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS**

29 **SECTION 11H.11.** The Department of Health and Human Services, Division of
30 Medical Assistance, shall amend the North Carolina Innovations waiver to increase the number
31 of slots available under the waiver by 250 slots. These additional slots shall be made available
32 on January 1, 2018.

33
34 **INCREASE PERSONAL CARE SERVICES RATE**

35 **SECTION 11H.12.** Beginning January 1, 2018, the Department of Health and
36 Human Services, Division of Medical Assistance, shall increase to three dollars and ninety-four
37 cents (\$3.94) the rate paid per 15-minute billing unit for personal care services provided
38 pursuant to Clinical Coverage Policy 3L.

39
40 **GRADUATE MEDICAL EDUCATION MEDICAID REIMBURSEMENT**

41 **SECTION 11H.13.(a)** Beginning July 1, 2017, the Department of Health and
42 Human Services, Division of Medical Assistance, shall no longer be required to implement the
43 prohibitions on reimbursement for Graduate Medical Education payments required by Section
44 12H.23 of S.L. 2015-241, as amended by Section 88 of S.L. 2015-264.

45 **SECTION 11H.13.(b)** No later than January 1, 2018, the Department of Health
46 and Human Services, Division of Medicaid Assistance (DMA), shall report to the Joint
47 Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research
48 Division on both the actual and forecasted total requirements less receipts of payments made
49 for the GME add-on to the DRG Unit Value (Base) rate. To the extent the total requirements
50 less receipts for these payments exceeds the ten million dollars (\$10,000,000) appropriated for

1 this purpose in each year of the 2017-2019 fiscal biennium, the Department shall identify the
2 reductions that are being implemented to cover any excess costs.

3
4 **PLAN TO IMPLEMENT COVERAGE FOR HOME VISITS FOR PREGNANT**
5 **WOMEN AND FAMILIES WITH YOUNG CHILDREN**

6 **SECTION 11H.14.(a)** It is the intent of the General Assembly to provide Medicaid
7 and NC Health Choice coverage for evidence-based home visits for pregnant women and
8 families with young children designed to improve maternal and child health, prevent child
9 abuse and neglect, encourage positive parenting, and promote child development and school
10 readiness that are consistent with the model used by Nurse-Family Partnership. No later than
11 July 1, 2018, the Department of Health and Human Services, Division of Medical Assistance
12 (Department), shall begin providing Medicaid and NC Health Choice coverage for home visits
13 statewide or through a pilot program.

14 The Department shall develop a plan to implement changes necessary to provide
15 Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program;
16 however, consistent with G.S. 108A-54(e)(4), the Department is not authorized to make any
17 changes to eligibility for the Medicaid or NC Health Choice programs. The plan shall detail the
18 design and scope of coverage for the home visits for pregnant women and families with young
19 children and include the identification of any State Plan Amendments or waivers that may be
20 necessary to submit to the Centers for Medicare and Medicaid Services.

21 **SECTION 11H.14.(b)** No later than November 1, 2017, the Department shall
22 submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and
23 the Fiscal Research Division a report containing the following information:

- 24 (1) As required by subsection (a) of this section, a copy of the plan to provide,
25 no later than July 1, 2018, Medicaid and NC Health Choice coverage for
26 home visits statewide or through a pilot program.
- 27 (2) A detailed description of the coverage to be provided, including the
28 proposed service definition, the home visit schedule, the scope of the
29 covered service, and the anticipated reimbursement rate to be paid.
- 30 (3) An analysis of the total fiscal impact of adding Medicaid and NC Health
31 Choice coverage for the home visits for pregnant women and families with
32 young children. This shall include an outline of both costs and savings to the
33 Medicaid and NC Health Choice programs, as well as any savings to other
34 programs provided by the State.
- 35 (4) A description of how the Department intends to leverage any private funding
36 that may be currently utilized to provide coverage for evidence-based home
37 visits for pregnant women and families with young children.
- 38 (5) Whether the Department intends to add this coverage pursuant to its
39 authority under G.S. 108A-54(e) or whether additional appropriations are
40 required.
- 41 (6) Any plans to include pay-for-success initiatives as part of the Medicaid and
42 NC Health Choice funding for the covered service.
- 43 (7) An anticipated time line for the implementation of the Department's plan and
44 the submission of any necessary State Plan Amendments or waivers to the
45 Centers for Medicare and Medicaid Services.

46
47 **NC TRACKS ENHANCEMENTS TO PREVENT AND DETECT FRAUD, WASTE,**
48 **AND ABUSE**

49 **SECTION 11H.15.** The Department of Health and Human Services (Department)
50 shall enhance the capability of the NC Tracks Medicaid Management Information System
51 (MMIS) to include the ability to detect and prevent fraud, waste, and abuse prior to the

1 payment of claims. Program changes shall be made to MMIS to prevent claims payment to
 2 providers when fraud, waste, or abuse is identified. The new capability required by this
 3 subsection shall utilize publicly available data regarding Medicaid providers and recipients. For
 4 this new capability, the Department shall establish criteria for the identification of suspicious
 5 claims, suspicious patterns of activity, or both without preselecting providers or recipients for
 6 review. Claims or patterns of activity identified by this new capability shall be evaluated
 7 utilizing a combination of automated and manual processes to determine the validity of the
 8 suspected fraud, waste, or abuse prior to the issuance of any payment to the provider for the
 9 suspicious claims.

10 The new capability required by this subsection shall be implemented utilizing
 11 existing MMIS contracts no later than 120 days after this section becomes law. Nothing in this
 12 section shall be construed to change or limit any current laws or rules regarding prompt
 13 payment to providers or provider prepayment claims review.
 14

15 DURATION OF MEDICAID AND NC HEALTH CHOICE PROGRAM 16 MODIFICATIONS

17 **SECTION 11H.16.** Except for eligibility categories and income thresholds and
 18 except for statutory changes, the Department of Health and Human Services shall not be
 19 required to maintain, after June 30, 2019, any modifications to the Medicaid and NC Health
 20 Choice programs required by this Subpart.
 21

22 MEDICAID TRANSFORMATION TECHNICAL AND CLARIFYING CHANGES

23 **SECTION 11H.17.(a)** Section 4 of S.L. 2015-245, as amended by Section 2(b) of
 24 S.L. 2016-121, reads as rewritten:

25 "**SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health
 26 Choice programs described in Section 1 of this act shall be organized according to the
 27 following principles and parameters:
 28

29 ...

- 30 (4) Services covered by PHPs. – Capitated PHP contracts shall cover all
 31 Medicaid and NC Health Choice services, including physical health services,
 32 prescription drugs, long-term services and supports, and behavioral health
 33 services for NC Health Choice recipients, except as otherwise provided in
 34 this subdivision. The capitated contracts required by this subdivision shall
 35 not cover:

36 ...

- 37 d. ~~Audiology, speech therapy, occupational therapy, physical therapy,~~
 38 ~~nursing, and psychological services prescribed~~ Services documented
 39 ~~in an Individualized Education Program (IEP) and performed by~~
 40 ~~schools or individuals contracted with~~ provided or billed by Local
 41 Education Agencies.

- 42 e. Services provided ~~directly~~ and billed by a Children's Developmental
 43 Services Agency (CDSA) ~~or by a provider under contract with a~~
 44 ~~CDSA if the service is authorized through the CDSA and is that~~ are
 45 included on the child's Individualized Family Service Plan.

46"

47 **SECTION 11H.17.(b)** G.S. 143B-216.80(b)(1) reads as rewritten:

48 "(1) Employees of the Division of Health Benefits shall not be subject to the
 49 North Carolina Human Resources Act, except as provided in
 50 ~~G.S. 126-5(e1)(31).~~ G.S. 126-5(c1)(33)."

1 **NOTICE OF PROGRAM REIMBURSEMENT AS BASIS FOR RECOUPMENT OF**
2 **OVERPAYMENTS**

3 **SECTION 11H.18.(a)** G.S. 108C-2 is amended by adding a new subdivision to
4 read:

5 "(8a) Notice of program reimbursement. – The written notice reflecting the
6 Department's final determination of the total amount of reimbursement, if
7 any, due to either the provider or the Department following receipt of a
8 provider's annual Medicaid or Health Choice cost report or amended
9 Medicaid or Health Choice cost report where permitted or required."

10 **SECTION 11H.18.(b)** G.S. 108C-5 reads as rewritten:

11 **"§ 108C-5. Payment suspension and audits utilizing extrapolation.**

12 (a) The Department may suspend payments to a provider in accordance with the
13 requirements and procedures set forth in 42 C.F.R. § 455.23.

14 (b) In addition to the procedures for suspending payment set forth at 42 C.F.R. §
15 455.23, the Department may also suspend payment to any provider that (i) owes a final
16 overpayment, assessment, or fine to the Department and has not entered into an approved
17 payment plan with the ~~Department or Department~~; (ii) owes the Department an amount
18 identified on a notice of program reimbursement, regardless of whether the amount owed is a
19 final overpayment, whether the provider's appeal rights have been exhausted, or whether any
20 review of the amount owed is pending; or (iii) has had its participation in the Medicaid or
21 Health Choice programs suspended or terminated by the Department. For purposes of this
22 section, a suspension or termination of participation does not become final until all
23 administrative appeal rights have been exhausted and shall not include any agency decision that
24 is being contested at the Department or the Office of Administrative Hearings or in Superior
25 Court provided that the Superior Court has entered a stay pursuant to the provisions of
26 G.S. 150B-48.

27 (c) For providers who owe a final overpayment, assessment, or fine to the Department,
28 the payment suspension shall begin the thirty-first day after the overpayment, assessment, or
29 fine becomes final. The payment suspension shall not exceed the amount owed to the
30 Department, including any applicable penalty and interest charges.

31 (c1) Notwithstanding subsection (c) of this section, for providers who owe the
32 Department an amount identified on a notice of program reimbursement, the Department shall
33 suspend payments to the provider immediately upon issuance of the notice of program
34 reimbursement. Payments shall be suspended as required by this subsection regardless of
35 whether the amount owed is a final overpayment, whether the provider's appeal rights have
36 been exhausted, or whether any review of the amount owed is pending. The payment
37 suspension shall not exceed the amount owed to the Department, including any applicable
38 penalty and interest charges.

39 (d) Providers whose participation in the Medicaid or Health Choice programs has been
40 suspended or terminated shall have all payments suspended beginning on the thirty-first day
41 after the suspension or termination becomes final.

42 (e) The Department shall consult with the ~~N.C. Departments of Treasury and Revenue~~
43 Department of State Treasurer, the Department of Revenue, and other State departments and
44 agencies to determine if a provider owes debts or fines to the State. The Department may
45 collect any of these debts owed to the State subsequent to consideration by the Department of
46 the financial impact upon the provider and the impact upon access to the services provided by
47 the provider.

48 (f) When issuing payment suspensions in accordance with this Chapter, the Department
49 may suspend payment to all providers ~~which that~~ share the same IRS Employee Identification
50 Number or corporate parent as the provider or provider site location ~~which that~~ owes the final
51 overpayment, assessment, or ~~fine-fine,~~ or that owes the amount identified on the notice of

1 program reimbursement. The Department shall give 30 days advance written notice to all
 2 providers ~~which that~~ share the same IRS Employee Identification Number or corporate parent
 3 as the provider or provider site location of the intention of the Department to implement a
 4 payment suspension.

5 (g) The Department is authorized to approve a payment plan for a provider to pay a
 6 final overpayment, assessment, or fine including interest and any penalty. The payment plan
 7 ~~can may~~ include a term of up to 24 months. The Department shall establish in rule the
 8 conditions of such provider payment plans. Nothing in this subsection shall prevent the
 9 provider and the Department from mutually agreeing to modifications of a payment plan.

10 (h) All payments suspended in accordance with this Chapter shall be applied toward
 11 any final overpayment, assessment, or fine owed to the ~~Department.~~Department and any
 12 amount owed to the Department that was identified on a notice of program reimbursement.

13"

14 **SECTION 11H.18.(c)** This section becomes effective October 1, 2017, and applies
 15 to notices of program reimbursement issued on or after that date.

16 **PREPAYMENT CLAIMS REVIEW MODIFICATIONS**

17 **SECTION 11H.19.(a)** G.S. 108C-7 reads as rewritten:

18 "**§ 108C-7. Prepayment claims review.**

19 (a) In order to ensure that claims presented by a provider for payment by the
 20 Department meet the requirements of federal and State laws and regulations and medical
 21 necessity criteria, a provider may be required to undergo prepayment claims review by the
 22 Department. Grounds for being placed on prepayment claims review shall include, but shall not
 23 be limited to, receipt by the Department of credible allegations of fraud, identification of
 24 aberrant billing practices as a result of ~~investigations or investigations,~~ data analysis performed
 25 by the Department. ~~Department, the failure of the provider to timely respond to a request for~~
 26 documentation made by the Department or one of its authorized representatives, or other
 27 grounds as defined by the Department in rule.

28 (b) Providers shall not be entitled to payment prior to claims review by the Department.
 29 The Department shall notify the provider in writing of the decision and the process for
 30 submitting claims for prepayment claims review ~~no less than 20 calendar days prior to~~
 31 instituting prepayment claims review. The written notice shall be deposited, first-class postage
 32 prepaid, in the United States mail and addressed to the most recent address given by the
 33 provider to the Department. The prepayment claims review shall be instituted no less than 20
 34 calendar days from the date of the mailing of written notification. The notice shall contain all of
 35 the following:

36 ...

37 (4) A specific list of all supporting documentation that the provider will need to
 38 submit ~~contemporaneously with the~~ to the prepayment review vendor for all
 39 claims that will be ~~are~~ subject to the prepayment claims review.

40 ...

41 (d) The Department shall process all clean claims submitted for prepayment review
 42 within 20 calendar days of ~~submission by the provider receipt of the supporting documentation~~
 43 for each claim by the prepayment review vendor. To be considered by the Department, the
 44 documentation submitted must be complete, legible, and clearly identify the provider to which
 45 the documentation applies. If the provider failed to provide any of the specifically requested
 46 supporting documentation necessary to process a claim pursuant to this section, the Department
 47 shall send to the provider written notification of the lacking or deficient documentation within
 48 15 calendar days of ~~receipt of such claim~~ the due date of requested supporting documentation.
 49 The Department shall have an additional 20 days to process a claim upon receipt of the
 50 documentation.
 51

1 (e) The provider shall remain subject to the prepayment claims review process until the
2 provider achieves three consecutive months with a minimum seventy percent (70%) clean
3 claims ~~rate~~, provided that the number of claims submitted per month is no less than fifty
4 percent (50%) of the provider's average monthly submission of Medicaid claims for the
5 three-month period prior to the provider's placement on prepayment review. If a provider does
6 not submit any claims following placement on prepayment review in any given month, then the
7 claims accuracy rating shall be zero percent (0%) for each month in which no claims were
8 submitted. If the provider does not meet ~~this standard~~ the seventy percent (70%) clean claims
9 rate minimum requirement for three consecutive months within six months of being placed on
10 prepayment claims review, the Department may implement sanctions, including termination of
11 the applicable Medicaid Administrative Participation Agreement, or continuation of
12 prepayment review for an additional six-month period. The Department shall give
13 adequate advance notice of any modification, suspension, or termination of the Medicaid
14 Administrative Participation Agreement. ~~In no instance shall prepayment claims review~~
15 ~~continue longer than 12 months.~~

16 Prepayment claims review shall not continue longer than 24 consecutive months unless the
17 Department has initiated the termination or other sanction of the provider and the provider has
18 appealed that termination or sanction. If the Department has initiated the termination or other
19 sanction of the provider and the provider has appealed that termination or sanction, then the
20 provider shall remain on prepayment review until the final disposition of the Department's
21 termination or other sanction of the provider.

22 (e1) Failure of a provider to meet the seventy percent (70%) clean claims rate minimum
23 requirement may result in a termination action. A termination action taken shall reflect the
24 failure of the provider to meet the seventy percent (70%) clean claims rate minimum
25 requirement and shall result in exclusion of the provider from future participation in the
26 Medicaid program. If a provider fails to meet the seventy percent (70%) clean claims rate
27 minimum requirement and subsequently requests a voluntary termination, the termination shall
28 reflect the provider's failure to successfully complete prepayment claims review and shall result
29 in exclusion of the provider from future participation in the Medicaid program.

30 (e2) A provider shall not withhold claims to avoid the claims review process. Any claims
31 for services provided during the period of prepayment review may still be subject to review
32 prior to payment regardless of the date the claims are submitted and regardless of whether the
33 provider has been taken off of prepayment review for any reason, including attaining a
34 minimum of seventy percent (70%) clean claims rate for three consecutive months, the
35 expiration of the 24-month time limit, or the termination of the provider.

36 (f) The decision to place or maintain a provider on prepayment claims review does not
37 constitute a contested case under Chapter 150B of the General Statutes. A provider may not
38 appeal or otherwise contest a decision of the Department to place or maintain a provider on
39 prepayment review.

40 (g) If a provider elects to appeal the Department's decision to impose sanctions on the
41 provider as a result of the prepayment review process to the Office of Administrative Hearings,
42 then the provider shall have 45 days from the date that the appeal is filed to submit any
43 documentation or records that address or challenge the findings of the prepayment review. The
44 Department shall not review, and the administrative law judge shall not admit into evidence,
45 any documentation or records submitted by the provider after the 45-day deadline. In order for
46 a provider to meet its burden of proof under G.S. 108C-12(d) that a prior claim denial should
47 be overturned, the provider must prove that (i) all required documentation was provided at the
48 time the claim was submitted and was available for review by the prepayment review vendor
49 and (ii) the claim should not have been denied at the time of the vendor's initial review."

1 **SECTION 11H.19.(b)** This section becomes effective October 1, 2017, and applies
2 to providers who are placed on prepayment review on or after that date and written notices
3 provided to providers on or after that date.
4

5 **MEDICAID ELIGIBILITY MONITORING**

6 **SECTION 11H.20.(a)** Article 2 of Chapter 108A of the General Statutes is
7 amended by adding a new section to read:

8 **"§ 108A-55.5. Eligibility monitoring for medical assistance.**

9 (a) On at least a quarterly basis, the Department shall review information concerning
10 changes in circumstances that may affect medical assistance beneficiaries' eligibility to receive
11 medical assistance benefits. The Department shall share the information directly with, or make
12 the information available to, the county department of social services that determined the
13 beneficiary's eligibility.

14 (b) The information reviewed by the Department shall include all of the following:

- 15 (1) Earned and unearned income.
- 16 (2) Employment status and changes in employment.
- 17 (3) Residency status.
- 18 (4) Enrollment status in other State-administered public assistance programs.
- 19 (5) Financial resources.
- 20 (6) Incarceration status.
- 21 (7) Death records.
- 22 (8) Lottery winnings.
- 23 (9) Enrollment status in public assistance programs outside of this State.

24 (c) A county department of social services shall promptly review the information
25 provided or made available by the Department in accordance with subsection (a) of this section
26 to determine if the information indicates a change in circumstances that may affect a medical
27 assistance beneficiary's eligibility to receive medical assistance benefits and take one of the
28 following actions:

- 29 (1) If a review of the information does not result in the county department of
30 social services finding a discrepancy or change in a beneficiary's
31 circumstances that may affect that beneficiary's eligibility to receive medical
32 assistance benefits, the county department of social services shall take no
33 further action.
- 34 (2) If a review of the information does result in the county department of social
35 services finding a discrepancy or change in a beneficiary's circumstances
36 that may affect that beneficiary's eligibility for medical assistance benefits,
37 the county department of social services shall provide written notice to the
38 beneficiary that describes in sufficient detail the circumstances of the
39 discrepancy or change in circumstances that would affect the beneficiary's
40 eligibility for medical assistance benefits. The notice must include the
41 following information:
 - 42 a. The beneficiary will have 10 business days from the time of mailing
43 to respond.
 - 44 b. A response from the beneficiary must be in writing.
 - 45 c. Self-declarations made by the beneficiary will not be accepted as
46 verification of information in the response.
 - 47 d. The consequences of taking no action.

48 (d) After the expiration of 10 business days from the time of mailing the notice required
49 under subsection (c) of this section, the county department of social services shall take one of
50 the following actions:

- 1 (1) If a beneficiary did not respond to the notice, the county department of social
2 services shall redetermine the beneficiary's eligibility for medical assistance
3 benefits and provide the beneficiary with proper notice under G.S. 108A-79.
4 (2) If a beneficiary responds to the notice and disagrees with the information in
5 the notice, the county department of social services shall reinvestigate the
6 matter and take one of the following actions:
7 a. If the county department of social services determines that there has
8 been an error and the beneficiary's eligibility to receive medical
9 assistance benefits is not affected, then no further action shall be
10 taken.
11 b. If the county department of social services determines that there is no
12 error, the county department of social services shall redetermine the
13 beneficiary's eligibility for medical assistance benefits and provide
14 the beneficiary with proper notice under G.S. 108A-79.
15 (3) If a beneficiary responds to the notice and confirms the information in the
16 notice is correct, then the county department of social services shall
17 redetermine the beneficiary's eligibility for medical assistance benefits and
18 provide the beneficiary with proper notice under G.S. 108A-79.

19 If, at any time after receiving a beneficiary's response to the notice, the county department
20 of social services determines that there is a risk of fraud or misrepresentation or inadequate
21 documentation, then the county department of social services may request additional
22 documentation from the beneficiary.

23 (e) Nothing in this section shall preclude the Department or any county department of
24 social services from receiving or reviewing additional information related to a beneficiary's
25 eligibility for medical assistance benefits that is obtained in a manner other than that provided
26 for under this section."

27 **SECTION 11H.20.(b)** The Department of Health and Human Services may sign a
28 memorandum of understanding with any department, agency, or division of the State to obtain
29 information concerning individuals enrolled in Medicaid that indicates a change in
30 circumstances that may affect the individuals' eligibility to receive Medicaid benefits under
31 G.S. 108A-55.5(a).

32 **SECTION 11H.20.(c)** The Department of Health and Human Services may
33 contract with one or more vendors to provide information concerning individuals enrolled in
34 Medicaid that indicates a change in circumstances that may affect the individuals' eligibility to
35 receive Medicaid benefits under G.S. 108A-55.5(a). The quarterly cost, net of receipts, of a
36 contract entered into under this subsection must be less than the cost of claims, net of receipts,
37 for the preceding quarter for individuals identified.

38 **SECTION 11H.20.(d)** The Department of Health and Human Services
39 (Department) shall consider joining any multistate cooperative to identify individuals who are
40 also enrolled in public assistance programs outside of this State, including the National
41 Accuracy Clearinghouse. No later than October 1, 2017, the Department shall report to the
42 Joint Legislative Oversight Committee on Medicaid and NC Health Choice findings that
43 explain the reasons for joining or not joining any multistate cooperative, and, if a determination
44 has been made to join the multistate cooperative, a date when membership is expected.

45 **SECTION 11H.20.(e)** Subsection (a) of this section becomes effective January 1,
46 2018. The remainder of this section is effective when this act becomes law.

47 **MEDICAID ELIGIBILITY DETERMINATION TIMELINESS REPORTING**

48 **SECTION 11H.21.** Part 10 of Article 2 of Chapter 108A of the General Statutes is
49 amended by adding a new section to read:

50 "§ 108A-70.43. Reporting.
51

1 No later than March 1 of each year, the Department shall submit a report for the prior
2 calendar year to the Joint Legislative Oversight Committee on Medicaid and NC Health
3 Choice, the Joint Legislative Oversight Committee on Health and Human Services, and the
4 Fiscal Research Division containing the following information:

- 5 (1) The annual statewide percentage of Medicaid applications processed in a
6 timely manner for the fiscal year.
- 7 (2) The statewide average number of days to process Medicaid applications for
8 each month in the fiscal year.
- 9 (3) The annual percentage of Medicaid applications processed in a timely
10 manner by each county department of social services for the fiscal year.
- 11 (4) The average number of days to process Medicaid applications for each
12 month for each county department of social services.
- 13 (5) The number of months during the fiscal year that each county department of
14 social services met the timely processing standards under G.S. 108A-70.38.
- 15 (6) The number of months during the fiscal year that each county department of
16 social services failed to meet the timely processing standards under
17 G.S. 108A-70.38.
- 18 (7) A description of all corrective action activities conducted by the Department
19 and county departments of social services in accordance with
20 G.S. 108A-70.36.
- 21 (8) A description of how the Department plans to assist county departments of
22 social services in meeting timely processing standards for Medicaid
23 applications, for every county in which the performance metrics for
24 processing Medicaid applications in a timely manner do not show significant
25 improvement compared to the previous fiscal year."

27 **SUPPORT IMPROVEMENT IN THE ACCURACY OF MEDICAID ELIGIBILITY** 28 **DETERMINATIONS**

29 **SECTION 11H.22.(a)** G.S. 108A-25(b) reads as rewritten:

30 "(b) The program of medical assistance is established as a program of public assistance
31 and shall be administered by the Department of Health and Human Services in accordance with
32 G.S. 108A-54. Medicaid eligibility administration may be delegated to the county departments
33 of social services under rules adopted by the Department of Health and Human Services."

34 **SECTION 11H.22.(b)** No later than November 1, 2017, the Department of Health
35 and Human Services (Department) shall report to the Joint Legislative Oversight Committee on
36 Medicaid and NC Health Choice on progress made regarding the accuracy of county Medicaid
37 eligibility determinations in response to the State Auditor's January 2017 Performance Audit
38 entitled "North Carolina Medicaid Program Recipient Eligibility Determination." The
39 Department's report shall include the following information:

- 40 (1) An identification of stakeholders, including the county departments of social
41 services, the Department has engaged to address issues surrounding the
42 accuracy of Medicaid eligibility determinations by county departments of
43 social services.
- 44 (2) Opportunities identified by the Department and stakeholders to address
45 accuracy in Medicaid determinations.
- 46 (3) Any steps the Department has taken, or plans to take, to assist county
47 departments of social services with improving accuracy in Medicaid
48 eligibility determinations, including a time line for implementation of each
49 planned action.
- 50 (4) Any changes to legislation or needs for funding identified by the Department
51 to assist with improving accuracy in Medicaid determinations.

1 **SECTION 11H.22.(c)** Article 2 of Chapter 108A of the General Statutes is
2 amended by adding a new Part to read:

3 "Part 11. Medicaid Eligibility Determinations Accuracy and Quality Assurance.

4 "§ 108A-70.45. Applicability.

5 If a federally recognized Native American tribe within the State has assumed responsibility
6 for the Medicaid program pursuant to G.S. 108A-25(e), then this Part applies to the tribe in the
7 same manner as it applies to county departments of social services.

8 "§ 108A-70.46. Audit of county Medicaid determinations.

9 Beginning January 1, 2019, the Department of Health and Human Services, Division of
10 Central Management and Support, shall, on an annual basis, audit all county departments of
11 social services for compliance with the accuracy standards adopted under G.S. 108A-70.47 for
12 Medicaid eligibility determinations made within a 12-month period. This annual audit shall
13 also include an evaluation of compliance with the quality assurance standards under
14 G.S. 108A-70.48 by the county department of social services. Audits shall be conducted for
15 initial Medicaid eligibility determination applications as well as Medicaid reenrollment
16 determinations.

17 "§ 108A-70.47. Medicaid eligibility determination processing accuracy standards.

18 (a) The Department shall require county departments of social services to comply with
19 accuracy standards set forth in rule for the processing of Medicaid eligibility determinations.
20 The Department shall set the following standards:

- 21 (1) Accuracy standards with regards to errors that caused an ineligible Medicaid
22 recipient to be approved for Medicaid benefits.
- 23 (2) Accuracy standards with regards to errors that caused the denial of benefits
24 to an applicant that should have been approved for Medicaid benefits.
- 25 (3) Accuracy standards with regards to errors made during the eligibility
26 determination process that did not change the outcome of the eligibility
27 determination.

28 (b) Standards under this section shall be developed by the Department in consultation
29 with the State Auditor.

30 "§ 108A-70.48. Quality assurance.

31 The Department shall require county departments of social services to comply with quality
32 assurance minimum standards set forth in rule. The quality assurance standards shall be based
33 upon best practices and shall be developed by the Department in consultation with the State
34 Auditor.

35 "§ 108A-70.49. Corrective action.

36 (a) If the Department's annual audit under G.S. 108A-70.46 results in a determination
37 that a county department of social services fails to meet any of the standards adopted under
38 G.S. 108A-70.47 or G.S. 108A-70.48, the Department and the county department of social
39 services shall enter into a joint corrective action plan to improve the accurate processing of
40 applications.

41 (b) A joint corrective action plan entered into pursuant to this section shall specifically
42 identify the following components:

- 43 (1) The duration of the joint corrective action plan, not to exceed 24 months. If a
44 county department of social services shows measurable progress in meeting
45 the performance requirements in the joint corrective action plan, then the
46 duration of the joint corrective action plan may be extended by six months,
47 but in no case shall a joint corrective action plan exceed 36 months.
- 48 (2) A plan for improving the accurate processing of applications that specifically
49 describes the actions to be taken by the county department of social services
50 and the Department.

1 (3) The performance requirements for the county department of social services
2 that constitute successful completion of the joint corrective action plan.

3 (4) Acknowledgment that failure to successfully complete the joint corrective
4 action plan will result in temporary assumption of Medicaid eligibility
5 administration by the Department, in accordance with G.S. 108A-70.50.

6 **"§ 108A-70.50. Temporary assumption of Medicaid eligibility administration.**

7 (a) If a county department of social services fails to successfully complete its joint
8 corrective action plan, the Department shall give the county department of social services, the
9 county manager, and the board of social services or the consolidated human services board,
10 created pursuant to G.S. 153A-77(b), at least 90 days' notice that the Department intends to
11 temporarily assume Medicaid eligibility administration, in accordance with subsection (b) of
12 this section. The notice shall include the following information:

13 (1) The date on which the Department intends to temporarily assume
14 administration of Medicaid eligibility determinations.

15 (2) The performance requirements in the joint corrective action plan that the
16 county department of social services failed to meet.

17 (3) Notice of the county department of social services' right to appeal the
18 decision to the Office of Administrative Hearings, pursuant to Article 3 of
19 Chapter 150B of the General Statutes.

20 (b) Notwithstanding any provision of law to the contrary, if a county department of
21 social services fails to successfully complete its joint corrective action plan, the Department
22 shall temporarily assume Medicaid eligibility administration for the county upon giving notice
23 as required by subsection (a) of this section. During a period of temporary assumption of
24 Medicaid eligibility administration, the following shall occur:

25 (1) The Department shall administer the Medicaid eligibility function in the
26 county. Administration by the Department may include direct operation by
27 the Department, including supervision of county Medicaid eligibility
28 workers or contracts for operation to the extent permitted by federal law and
29 regulations.

30 (2) The county department of social services is divested of the authority to
31 administer Medicaid eligibility determinations.

32 (3) The Department shall direct and oversee the expenditure of all funding for
33 the administration of Medicaid eligibility in the county.

34 (4) The county shall continue to pay the nonfederal share of the cost of
35 Medicaid eligibility administration and shall not withdraw funds previously
36 obligated or appropriated for Medicaid eligibility administration.

37 (5) The county shall pay the nonfederal share of additional costs incurred to
38 ensure compliance with the accuracy and quality assurance standards
39 required by this Part.

40 (6) The Department shall work with the county department of social services to
41 develop a plan for the county department of social services to resume
42 Medicaid eligibility administration and perform Medicaid eligibility
43 determinations more accurately.

44 (7) The Department shall inform the county board of commissioners, the county
45 manager, the county director of social services, and the board of social
46 services or the consolidated human services board, created pursuant to
47 G.S. 153A-77(b), of key activities and any ongoing concerns during the
48 temporary assumption of Medicaid eligibility administration.

49 (c) Upon the Department's determination that Medicaid eligibility determinations can
50 be performed accurately and with proper quality assurance by the county department of social
51 services based on the standards adopted under G.S. 108A-70.47 and G.S. 108A-70.48, the

1 Department shall notify the county department of social services, the county manager, and the
2 board of social services or the consolidated human services board, created pursuant to
3 G.S. 153A-77(b), that temporary assumption of Medicaid eligibility administration will be
4 terminated and the effective date of termination. Upon termination, the county department of
5 social services resumes its full authority to administer Medicaid eligibility determinations.

6 **"§ 108A-70.51. Reporting.**

7 Beginning with the calendar year 2020, no later than March 1 of each year, the Department
8 shall submit a report to the Joint Legislative Committee on Medicaid and NC Health Choice,
9 the Fiscal Research Division, and the State Auditor that contains the following information
10 about the prior calendar year:

- 11 (1) The annual statewide percentage of county departments of social services
12 that met the accuracy standards adopted under G.S. 108A-70.47 in the prior
13 fiscal year.
- 14 (2) The annual statewide percentage of county departments of social services
15 that met the quality assurance standards adopted under G.S. 108A-70.48 in
16 the prior fiscal year.
- 17 (3) The annual audit result for each standard adopted under G.S. 108A-70.47 for
18 each county of department services.
- 19 (4) The number of years in the preceding five-year period that each county
20 department of social services failed to meet the standards in
21 G.S. 108A-70.47 or G.S. 108A-70.48.
- 22 (5) A description of all corrective action activities conducted by the Department
23 and county departments of social services in accordance with
24 G.S. 108A-70.49.
- 25 (6) For every county in which the performance metrics for processing Medicaid
26 applications in an accurate manner do not show significant improvement
27 compared to the previous fiscal year, a description of how the Department
28 plans to assist county departments of social services in accuracy and quality
29 assurance standards for Medicaid applications."

30 **SECTION 11H.22.(d)** G.S. 150B-23(a5) reads as rewritten:

31 "(a5) A county that appeals a decision of the Department of Health and Human Services
32 to temporarily assume Medicaid eligibility administration in accordance with
33 ~~G.S. 108A-70.37~~ G.S. 108A-70.42 or G.S. 108A-70.50 may commence a contested case under
34 this Article in the same manner as any other petitioner. The case shall be conducted in the same
35 manner as other contested cases under this Article."

36 **SECTION 11H.22.(e)** The Department of Health and Human Services, Division of
37 Central Management and Support (Department), shall collaborate with the State Auditor to
38 develop a plan of implementation of the annual audits under this section. The plan must include
39 the following information:

- 40 (1) Accuracy standards and quality assurance standards to be implemented.
- 41 (2) The audit schedule that includes all counties.
- 42 (3) The audit methodology to be utilized, including any information that may
43 vary based upon county size or other factors.
- 44 (4) Details illustrating that the audit methodology is statistically sound,
45 including the statistically significant number of cases to be reviewed in each
46 county.
- 47 (5) Anticipated costs of implementing the plan.
- 48 (6) A certification from the State Auditor that the Department's plan for the
49 annual audits has the approval of the State Auditor.

1 No later than March 1, 2018, the Department shall submit a copy of the plan to the
2 Joint Legislative Oversight Committee on Medicaid and NC Health Choice with any proposed
3 recommendations, suggested legislation, or funding requests.

4 **SECTION 11H.22.(f)** Article 2 of Chapter 108A of the General Statutes is
5 amended by adding a new section to read:

6 "**§ 108A-25.1A. Responsibility for errors.**

7 (a) A county department of social services shall be financially responsible for the
8 erroneous issuance of Medicaid benefits and Medicaid claims payments resulting when the
9 county department of social services takes any action that requires payment of Medicaid claims
10 for an ineligible individual, for ineligible dates, or in an amount that includes a recipient's
11 liability and for which the State cannot claim federal participation.

12 (b) Notwithstanding subsection (a) of this section, a county department of social
13 services shall not be financially responsible for the erroneous issuance of Medicaid benefits and
14 Medicaid claims payments resulting from a failure or error attributable solely to the State.

15 (c) The amounts to be charged back to a county department of social services for
16 erroneous payments of claims shall be the State and federal shares of all erroneous payments,
17 not to exceed the lesser of the amount of actual error or claims payment."

18 **SECTION 11H.22.(g)** The Department of Health and Human Services
19 (Department) shall design and implement a training and certification program for caseworkers
20 utilizing North Carolina Families Accessing Services Through Technology (NC FAST). The
21 training and certification program shall be available on a statewide basis, and the Department
22 shall provide training to caseworkers at county departments of social services at a location
23 within reasonable travel distance from the county departments of social services multiples
24 times per year. No later than 18 months after the Department has implemented the training and
25 certification program, the Department shall require all caseworkers inputting data or making
26 determinations for eligibility for State programs through NC FAST to be certified. A
27 certification may last no longer than three years before an individual is required to be
28 recertified. The Department may adopt and amend rules to implement this training and
29 certification program.

30 **SECTION 11H.22.(h)** No later than 18 months after the Department has
31 implemented the training and certification program under subsection (g) of this section, the
32 Department shall include in its audits required under G.S. 108A-70.46 a verification that all
33 county departments of social services are in compliance with the certification program
34 requirements for individuals involved in the Medicaid eligibility determination process.

35 **SECTION 11H.22.(i)** No later than March 1, 2018, the Department shall submit to
36 the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative
37 Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division a
38 report on the implementation of the training and certification program required under this
39 section. The report shall include the following:

- 40 (1) A detailed outline of what the training and certification program will entail,
41 including how many hours of training will be required for certification, how
42 frequently recertification will be required, and how often training will be
43 provided by the Department to the county departments of social services.
- 44 (2) A plan of implementation of the training and certification program,
45 including a specific time line of implementation.
- 46 (3) Anticipated costs to the Department, as well as any costs to the county
47 department of social services, of implementing the training and certification
48 program. This should include an identification of any additional resources
49 required by the Department or a county department of social services in
50 order to implement the training and certification program.

1 (4) Any other information the Department is able to provide regarding the
2 training and certification program development.

3 **SECTION 11H.22.(j)** The Department of Health and Human Services may adopt
4 and amend rules to implement this section.

5 **SECTION 11H.22.(k)** Subsection (f) of this section is effective when it becomes
6 law and applies to errors identified on or after that date. The remainder of this section is
7 effective when it becomes law.

9 MEDICAID SUBROGATION RIGHTS CONFORMING CHANGES

10 **SECTION 11H.23.** If Section 202(b) of the Bipartisan Budget Act of 2013, P.L.
11 113-67, takes effect on October 1, 2017, as provided in Section 202(c) of that act, as amended
12 by Section 211 of the Protecting Access to Medicare Act of 2014, P.L. 113-93, and Section 220
13 of the Medicare Access and CHIP Reauthorization Act of 2015, P.L. 114-10, then
14 G.S. 108A-57 reads as rewritten:

15 "**§ 108A-57. Subrogation rights; withholding of information a misdemeanor.**

16 (a) As used in this section, the term "beneficiary" means (i) the beneficiary of medical
17 assistance, including a minor beneficiary, (ii) the medical assistance beneficiary's parent, legal
18 guardian, or personal representative, (iii) the medical assistance beneficiary's heirs, and (iv) the
19 administrator or the executor of the medical assistance beneficiary's estate.

20 Notwithstanding any other provisions of the law, to the extent of payments under this Part,
21 the State shall be subrogated to all rights of recovery, contractual or otherwise, of ~~the a~~
22 ~~beneficiary of this assistance, or of the beneficiary's personal representative, heirs, or the~~
23 ~~administrator or executor of the estate,~~ against any person. A personal injury or wrongful death
24 claim brought by a ~~medical assistance~~ beneficiary against a third party shall include a claim for
25 all medical assistance payments for health care items or services furnished to the ~~medical~~
26 ~~assistance~~ beneficiary as a result of the injury, hereinafter referred to as the "Medicaid claim."
27 Any personal injury or wrongful death claim brought by a ~~medical assistance~~ beneficiary
28 against a third party that does not state the Medicaid claim shall be deemed to include the
29 Medicaid claim.

30 (a1) ~~If the amount of the Medicaid claim does not exceed one third of the medical~~
31 ~~assistance beneficiary's gross recovery, it is presumed that the gross recovery includes~~
32 ~~compensation for the full amount of the Medicaid claim. If the amount of the Medicaid claim~~
33 ~~exceeds one third of the medical assistance beneficiary's gross recovery, it is presumed that~~
34 ~~one third of the gross recovery represents compensation for the Medicaid claim. The Medicaid~~
35 ~~claim shall be a lien upon any recovery that a beneficiary obtains. The amount of the lien shall~~
36 ~~be equal to the total amount of the Medicaid claim but shall not exceed one-third of the gross~~
37 ~~amount of the recovery obtained.~~

38 If a beneficiary has claims against more than one third party related to the same injury, then
39 the payment of the Medicaid lien on any individual recovery shall reduce the total balance of
40 the Medicaid claim. The remaining balance of the Medicaid claim shall be applied as a lien on
41 any subsequent recovery, provided that the lien on each recovery shall not exceed one-third of
42 the gross amount of each recovery obtained.

43 (a2) ~~A medical assistance beneficiary may dispute the presumptions established in~~
44 ~~subsection (a1) of this section by applying to the court in which the medical assistance~~
45 ~~beneficiary's claim against the third party is pending, or if there is none, then to a court of~~
46 ~~competent jurisdiction, for a determination of the portion of the beneficiary's gross recovery~~
47 ~~that represents compensation for the Medicaid claim. An application under this subsection shall~~
48 ~~be filed with the court and served on the Department pursuant to the Rules of Civil Procedure~~
49 ~~no later than 30 days after the date that the settlement agreement is executed by all parties and,~~
50 ~~if required, approved by the court, or in cases in which judgment has been entered, no later than~~
51 ~~30 days after the date of entry of judgment. The court shall hold an evidentiary hearing no~~

1 sooner than 30 days after the date the action was filed. All of the following shall apply to the
2 court's determination under this subsection:

3 (1) ~~The medical assistance beneficiary has the burden of proving by clear and
4 convincing evidence that the portion of the beneficiary's gross recovery that
5 represents compensation for the Medicaid claim is less than the portion
6 presumed under subsection (a1) of this section.~~

7 (2) ~~The presumption arising under subsection (a1) of this section is not rebutted
8 solely by the fact that the medical assistance beneficiary was not able to
9 recover the full amount of all claims.~~

10 (3) ~~If the beneficiary meets its burden of rebutting the presumption arising under
11 subsection (a1) of this section, then the court shall determine the portion of
12 the recovery that represents compensation for the Medicaid claim and shall
13 order the beneficiary to pay the amount so determined to the Department in
14 accordance with subsection (a5) of this section. In making this
15 determination, the court may consider any factors that it deems just and
16 reasonable.~~

17 (4) ~~If the beneficiary fails to rebut the presumption arising under subsection (a1)
18 of this section, then the court shall order the beneficiary to pay the amount
19 presumed pursuant to subsection (a1) of this section to the Department in
20 accordance with subsection (a5) of this section.~~

21 (a3) ~~Notwithstanding the presumption arising pursuant to subsection (a1) of this section,
22 the medical assistance beneficiary and the Department may reach an agreement on the portion
23 of the recovery that represents compensation for the Medicaid claim. If such an agreement is
24 reached after an application has been filed pursuant to subsection (a2) of this section, a
25 stipulation of dismissal of the application signed by both parties shall be filed with the court.~~

26 (a4) ~~Within 30 days of receipt of the proceeds of a settlement or judgment related to a
27 claim described in subsection (a) of this section, the medical assistance beneficiary or any
28 attorney retained by the beneficiary shall notify the Department of the receipt of the proceeds.~~

29 (a5) ~~The medical assistance-Within 30 days of receipt of the proceeds of a settlement or
30 judgment related to a claim described in subsection (a) of this section, a beneficiary or any
31 attorney retained by the beneficiary shall, out of the proceeds obtained by or on behalf of the
32 beneficiary by settlement with, judgment against, or otherwise from a third party by reason of
33 injury or death, shall distribute to the Department the amount due pursuant to this section as
34 follows: an amount sufficient to fully satisfy the Department's Medicaid lien as provided in
35 subsection (a1) of this section. The Department's right to payment under this subsection shall
36 be a right to first recovery and shall not be prorated with or otherwise reduced by the claims of
37 any other persons or entities having medical subrogation or medical liens against the amount
38 received or recovered by the beneficiary.~~

39 (1) ~~If, upon the expiration of the time for filing an application pursuant
40 subsection (a2) of this section, no application has been filed, then the amount
41 presumed pursuant to subsection (a1) of this section, as prorated with the
42 claims of all others having medical subrogation rights or medical liens
43 against the amount received or recovered, shall be paid to the Department
44 within 30 days of the beneficiary's receipt of the proceeds, in the absence of
45 an agreement pursuant to subsection (a3) of this section.~~

46 (2) ~~If an application has been filed pursuant to subsection (a2) of this section
47 and no agreement has been reached pursuant to subsection (a3) of this
48 section, then the Department shall be paid as follows:~~

49 a. ~~If the beneficiary rebuts the presumption arising under subsection
50 (a1) of this section, then the amount determined by the court pursuant
51 to subsection (a2) of this section, as prorated with the claims of all~~

1 others having medical subrogation rights or medical liens against the
 2 amount received or recovered, shall be paid to the Department within
 3 30 days of the entry of the court's order.

4 b. If the beneficiary fails to rebut the presumption arising under
 5 subsection (a1) of this section, then the amount presumed pursuant to
 6 subsection (a1) of this section, as prorated with the claims of all
 7 others having medical subrogation rights or medical liens against the
 8 amount received or recovered, shall be paid to the Department within
 9 30 days of the entry of the court's order.

10 (3) If an agreement has been reached pursuant to subsection (a3) of this section,
 11 then the agreed amount, as prorated with the claims of all others having
 12 medical subrogation rights or medical liens against the amount received or
 13 recovered, shall be paid to the Department within 30 days of the execution of
 14 the agreement by the medical assistance beneficiary and the Department.

15 (a6) The United States and the State of North Carolina shall be entitled to shares in each
 16 net recovery by the Department under this section. Their shares shall be promptly paid under
 17 this section and their proportionate parts of such sum shall be determined in accordance with
 18 the matching formulas in use during the period for which assistance was paid to the recipient.

19 (b) It is a Class 1 misdemeanor for any person seeking or having obtained assistance
 20 under this ~~Part~~ Part, for ~~himself~~ himself or herself or ~~another~~ for another, to willfully fail to
 21 disclose to the county department of social services or its attorney and to the Department the
 22 identity of any person or organization against whom the recipient of assistance has a right of
 23 recovery, contractual or otherwise.

24 (c) This section applies to the administration of and claims payments made by the
 25 Department of Health and Human Services under the NC Health Choice Program established
 26 under Part 8 of this Article.

27 (d) As required to ensure compliance with this section, the Department may apply to the
 28 court in which the ~~medical assistance~~ beneficiary's claim against the third party is pending, or if
 29 there is none, then to a superior court of competent jurisdiction for enforcement of this section."
 30

31 **SUBPART XI-I. DIVISION OF HEALTH BENEFITS**

32 **DIVISION OF HEALTH BENEFITS FEDERAL FUNDS**

33 **SECTION 11I.1.** It is anticipated that the Division of Health Benefits (DHB) will
 34 be eligible to draw down federal matching funds on Medicaid transformation project
 35 expenditures. To the extent that federal funds are received as federal match for the DHB's
 36 Medicaid transformation project expenditures, those funds are appropriated to the DHB for
 37 Medicaid transformation project expenditures, those funds are appropriated to the DHB for
 38 Medicaid transformation project activities.
 39

40 **SUBPART XI-J. MISCELLANEOUS**

41 **GREATER TRANSPARENCY IN HEALTH CARE SERVICES BILLING**

42 **SECTION 11J.1.(a)** G.S. 58-3-200 reads as rewritten:

43 "**§ 58-3-200. Miscellaneous insurance and managed care coverage and network**
 44 **provisions.**

45 (a) Definitions. – ~~As used in this section:~~ The following definitions apply in this section:

46 (1) Clinical laboratory. – An entity in which services are performed to provide
 47 information or materials for use in the diagnosis, prevention, or treatment of
 48 disease or assessment of a medical or physical condition.

49 (2) ~~"Health benefit plan"~~ Health benefit plan. – Any of the following
 50 if written by an insurer: an accident and health insurance policy or
 51

certificate; a nonprofit hospital or medical service corporation contract; a health maintenance organization subscriber contract; or a plan provided by a multiple employer welfare arrangement. "Health benefit plan" does not mean any plan implemented or administered through the Department of Health and Human Services or its representatives. "Health benefit plan" also does not mean any of the following kinds of insurance:

- a. Accident.
- b. Credit.
- c. Disability income.
- d. Long-term or nursing home care.
- e. Medicare supplement.
- f. Specified disease.
- g. Dental or vision.
- h. Coverage issued as a supplement to liability insurance.
- i. Workers' compensation.
- j. Medical payments under automobile or homeowners insurance.
- k. Hospital income or indemnity.
- l. Insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability policy or equivalent self-insurance.

(3) Health care provider. – Any health care services facility or any person who is licensed, registered, or certified under Chapter 90 or Chapter 90B of the General Statutes, or under the laws of another state, to provide health care services in the ordinary care of business or practice, or as a profession, or in an approved education or training program, except that this term shall not include a pharmacy.

(4) Health services facility. – A hospital; long-term care hospital; psychiatric facility; rehabilitation facility; nursing home facility; adult care home; kidney disease treatment center, including freestanding hemodialysis units; intermediate care facility; home health agency office; chemical dependency treatment facility; diagnostic center; hospice office; hospice inpatient facility; hospice residential care facility; ambulatory surgical facility; urgent care facility; freestanding emergency facility; and clinical laboratory.

(2)(5) "Insurer" means an Insurer. – An entity that writes a health benefit plan and that is an insurance company subject to this Chapter, a service corporation under Article 65 of this Chapter, a health maintenance organization under Article 67 of this Chapter, or a multiple employer welfare arrangement under Article 49 of this Chapter.

...
 (d) ~~Services Outside Provider Networks. – No insurer shall penalize an insured or~~ subject an insured to the out-of-network benefit levels offered under the insured's approved health benefit plan, including an insured receiving an extended or standing referral under G.S. 58-3-223, unless contracting health care providers able to meet health needs of the insured are reasonably available to the insured without unreasonable delay. Upon notice from the insured, the insurer shall determine whether a health care provider able to meet the health care needs of the insured is reasonably available to the insured without unreasonable delay by reference to the insured's location and the specific medical needs of the insured.

...."
SECTION 11J.1.(b) Chapter 131E of the General Statutes is amended by adding a new Article to read:

"Article 11C.

"Transparency in Health Services Billing Practices.

"§ 131E-214.25. Definitions.

The following definitions apply in this section:

- (1) Health care provider. – As defined in G.S. 58-3-200(a).
- (2) Health services facility. – As defined in G.S. 58-3-200(a).
- (3) Insurer. – As defined in G.S. 58-3-200(a).
- (4) Provider. – A health care provider.

"§ 131E-214.26. Fair notice requirements.

(a) Services Provided at Participating Health Services Facilities. – At the time a health services facility participating in an insurer's health care provider network (i) admits to receive emergency services, (ii) schedules a procedure for nonemergency services for, or (iii) seeks prior authorization from an insurer for the provision of nonemergency services to an insured individual, the health services facility shall provide the insured individual with a written disclosure containing the following information:

- (1) Services may be provided at the health services facility by the health services facility itself as well as by other health care providers who may separately bill the insured.
- (2) Certain health care providers may be called upon to render care to the insured during the course of treatment and may not have contracts with the insured's insurer and are therefore considered to be nonparticipating health care providers. The nonparticipating health care providers shall be identified in the written disclosure.
- (3) Certain consumer protections available to the insured when services are rendered by a health care provider participating in the insurer's health care provider network may not be applicable when services are rendered by a nonparticipating health care provider.

(b) Emergency Services Provided at Nonparticipating Health Services Facilities. – At the time a health services facility admits an insured individual to receive emergency services, but the facility does not have a contract with the individual's insurer, the health services facility shall provide the insured individual with a written disclosure that contains the following information:

- (1) The health care facility does not have a contract with the insured's insurer and is considered to be a nonparticipating health care provider.
- (2) Certain consumer protections available to the insured individual when services are rendered by a provider participating in the insurer's provider network may not be applicable when services are rendered by a nonparticipating provider."

SECTION 11J.1.(c) This section becomes effective October 1, 2017, and applies to health care services provided on or after that date.

JOINT OVERSIGHT SUBCOMMITTEES ON MEDICAL EDUCATION PROGRAMS AND MEDICAL RESIDENCY PROGRAMS

SECTION 11J.2.(a) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee shall each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. In conducting the study, the subcommittees shall examine at least all of the following:

- (1) The health care needs of the State's residents and the State's goals in meeting those health care needs through the support and funding of medical education and medical residency programs located within the State.

- 1 (2) The short-term and long-term benefits to the State for allocating State funds
2 to medical education and medical residency programs located within the
3 State.
4 (3) Recommended changes and improvements to the State's current policies
5 with respect to allocating State funds and providing other support to medical
6 education programs and medical residency programs located within the
7 State.
8 (4) Development of an evaluation protocol to be used by the State in
9 determining (i) the particular medical education programs and medical
10 residency programs to support with State funds and (ii) the amount of State
11 funds to allocate to these programs.
12 (5) Any other relevant issues the subcommittees deem appropriate.

13 **SECTION 11J.2.(b)** The subcommittees may seek input from other states,
14 stakeholders, and national experts on medical education programs, medical residency
15 programs, and health care as it deems necessary.

16 **SECTION 11J.2.(c)** By February 1, 2018, the Department of Health and Human
17 Services and The University of North Carolina shall provide the subcommittees the following
18 information regarding State funds and other support provided by the State to medical education
19 programs and medical residency programs located in North Carolina:

- 20 (1) The identity, location, and number of positions available in these medical
21 education programs and medical residency programs, broken down by
22 geographic area.
23 (2) The specific amount of State funds or the nature of any other support
24 provided by the State to medical education programs and medical residency
25 programs, broken down by program.
26 (3) The number of graduates of medical education programs and medical
27 residency programs who are currently practicing in North Carolina, broken
28 down by the following specialty areas:
29 a. Surgery.
30 b. Psychiatry.
31 c. Primary care.
32 (4) The number of program graduates who practiced in North Carolina for at
33 least five years after graduation.
34 (5) Any other information requested by the subcommittees.

35 **SECTION 11J.2.(d)** The subcommittees shall jointly develop a proposal for a
36 statewide plan to support medical education programs and medical residency programs within
37 North Carolina in a manner that maximizes the State's financial and other support of these
38 programs and addresses the short-term and long-term health care needs of the State's residents.
39 Each subcommittee shall submit a report to its respective Oversight Committee on or before
40 March 15, 2018, at which time each subcommittee shall terminate.

41 **SECTION 11J.2.(e)** This section is effective when this act becomes law.
42

43 **AUTHORIZATION FOR CHIROPRACTIC PRECEPTORSHIPS**

44 **SECTION 11J.3.(a)** Article 8 of Chapter 90 of the General Statutes is amended by
45 adding a new section to read:

46 **"§ 90-142.1. Supervised training programs authorized.**

47 (a) As used in this section, "preceptorship program" means a clinical program of an
48 approved chiropractic college in which a student of chiropractic, under the supervision of a
49 licensed chiropractor, observes the licensed chiropractor and may perform the duties of a
50 certified chiropractic clinical assistant as specified in G.S. 90-143.4.

(b) Each student enrolled in a chiropractic college that meets the accreditation requirements of G.S. 90-143 may participate in a preceptorship program."

SECTION 11J.3.(b) G.S. 90-143.4(b) reads as rewritten:

"(b) Any person employed as a chiropractic clinical assistant shall obtain a certificate of competency from the State Board of Chiropractic Examiners (Board) within 180 days after the person begins employment. Certification shall not be required for employees whose duties are limited to administrative activities of a nonclinical nature. Except as otherwise provided in G.S. 90-142.1 and this section, it shall be unlawful for any person to practice as a chiropractic clinical assistant unless duly certified by the Board."

SECTION 11J.3.(c) The section is effective when this act becomes law.

SUBPART XI-K. DIVISIONS OF VOCATIONAL REHABILITATION, SERVICES FOR THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING [RESERVED]

SUBPART XI-L. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 11L.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2019, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2017-2018	FY 2018-2019
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Local Program Expenditures

Division of Social Services

01. Work First Family Assistance	\$49,479,444	\$49,479,444
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05. Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06. Child Welfare Program Improvement Plan	775,176	775,176
07. Child Welfare Collaborative	400,000	400,000
08. Child Welfare Initiatives	1,400,000	1,400,000

Division of Child Development and Early Education

09. Subsidized Child Care Program	53,605,680	58,112,735
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1	10. NC Pre-K Services	6,000,000	12,200,000
2			
3	Division of Public Health		
4			
5	11. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
6			
7	DHHS Administration		
8			
9	12. Division of Social Services	2,482,260	2,482,260
10			
11	13. Office of the Secretary	34,042	34,042
12			
13	14. Eligibility Systems – Operations and		
14	Maintenance	2,908,598	2,765,192
15			
16	15. NC FAST Implementation	48,495	875,264
17			
18	Transfers to Other Block Grants		
19			
20	Division of Child Development and Early Education		
21			
22	16. Transfer to the Child Care and		
23	Development Fund	71,773,001	71,773,001
24			
25	Division of Social Services		
26			
27	17. Transfer to Social Services Block		
28	Grant for Child Protective Services –		
29	Training	1,300,000	1,300,000
30			
31	18. Transfer to Social Services Block		
32	Grant for Child Protective Services	5,040,000	5,040,000
33			
34	19. Transfer to Social Services Block		
35	Grant for County Departments of		
36	Social Services for Children's Services	7,500,000	7,500,000
37			
38	20. Transfer to Social Services Block		
39	Grant – Foster Care Services	1,385,152	1,385,152
40			
41	TOTAL TEMPORARY ASSISTANCE FOR		
42	NEEDY FAMILIES (TANF) FUNDS	\$300,992,895	\$312,383,313
43			
44	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
45	EMERGENCY CONTINGENCY FUNDS		
46			
47	Local Program Expenditures		
48			
49	Division of Child Development and Early Education		
50			
51	01. Subsidized Child Care	\$28,600,000	\$28,600,000

1			
2	TOTAL TEMPORARY ASSISTANCE FOR		
3	NEEDY FAMILIES (TANF) EMERGENCY		
4	CONTINGENCY FUNDS	\$28,600,000	\$28,600,000
5			
6	SOCIAL SERVICES BLOCK GRANT		
7			
8	Local Program Expenditures		
9			
10	Divisions of Social Services and Aging and Adult Services		
11			
12	01. County Departments of Social Services		
13	(Transfer From TANF \$7,500,000)	\$32,971,498	\$33,003,632
14			
15	02. EBCI Tribal Public Health and Human Services	244,740	244,740
16			
17	03. Child Protective Services		
18	(Transfer From TANF)	5,040,000	5,040,000
19			
20	04. State In-Home Services Fund	1,943,950	1,943,950
21			
22	05. Adult Protective Services	1,245,363	1,245,363
23			
24	06. State Adult Day Care Fund	1,994,084	1,994,084
25			
26	07. Child Protective Services/CPS		
27	Investigative Services – Child Medical		
28	Evaluation Program	901,868	901,868
29			
30	08. Special Children Adoption Incentive Fund	462,600	462,600
31			
32	09. Child Protective Services – Child		
33	Welfare Training for Counties		
34	(Transfer From TANF)	1,300,000	1,300,000
35			
36	10. Child Protective Services – Child		
37	Welfare Training for Counties	737,067	737,067
38			
39	11. Home and Community Care Block		
40	Grant (HCCBG)	1,696,888	1,696,888
41			
42	12. Child Advocacy Centers	582,000	582,000
43			
44	13. Guardianship – Division of Social Services	815,362	815,362
45			
46	14. Foster Care Services		
47	(Transfer From TANF)	1,385,152	1,385,152
48			
49	Division of Central Management and Support		
50			
51	15. DHHS Competitive Block Grants		

1	for Nonprofits	4,508,754	4,476,620
2			
3	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
4			
5	16. Mental Health Services – Adult and		
6	Child/Developmental Disabilities Program/		
7	Substance Abuse Services – Adult	4,030,730	4,030,730
8			
9	DHHS Program Expenditures		
10			
11	Division of Services for the Blind		
12			
13	17. Independent Living Program	3,361,323	3,361,323
14			
15	Division of Health Service Regulation		
16			
17	18. Adult Care Licensure Program	381,087	381,087
18			
19	19. Mental Health Licensure and		
20	Certification Program	190,284	190,284
21			
22	Division of Aging and Adult Services		
23			
24	20. Guardianship	3,992,213	3,992,213
25			
26	DHHS Administration		
27			
28	21. Division of Aging and Adult Services	577,745	577,745
29			
30	22. Division of Social Services	634,680	634,680
31			
32	23. Office of the Secretary/Controller's Office	127,731	127,731
33			
34	24. Legislative Increases/Fringe Benefits	236,278	236,278
35			
36	25. Division of Child Development and		
37	Early Education	13,878	13,878
38			
39	26. Division of Mental Health, Developmental		
40	Disabilities, and Substance Abuse Services	27,446	27,446
41			
42	27. Division of Health Service Regulation	118,946	118,946
43			
44	TOTAL SOCIAL SERVICES BLOCK GRANT	\$69,521,667	\$69,521,667
45			
46	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
47			
48	Local Program Expenditures		
49			
50	Division of Social Services		
51			

1	01. Low-Income Energy Assistance		
2	Program (LIEAP)	\$36,402,610	\$35,419,272
3			
4	02. Crisis Intervention Program (CIP)	36,402,610	35,419,272
5			
6	Local Administration		
7			
8	Division of Social Services		
9			
10	03. County DSS Administration	5,978,512	5,817,014
11			
12	DHHS Administration		
13			
14	Division of Central Management and Support		
15			
16	04. Division of Social Services	10,000	10,000
17			
18	05. Office of the Secretary/DIRM	252,603	128,954
19			
20	06. Office of the Secretary/Controller's Office	18,378	18,378
21			
22	07. NC FAST Development	139,991	2,468,390
23			
24	08. NC FAST Operations and Maintenance	2,135,701	2,539,033
25			
26	Transfers to Other State Agencies		
27			
28	Department of Environmental Quality		
29			
30	09. Weatherization Program	10,716,043	10,426,573
31			
32	10. Heating Air Repair and Replacement		
33	Program (HARRP)	5,701,752	5,547,732
34			
35	11. Local Residential Energy Efficiency Service		
36	Providers – Weatherization	439,982	428,097
37			
38	12. Local Residential Energy Efficiency Service		
39	Providers – HARRP	234,105	227,781
40			
41	13. DENR – Weatherization Administration	439,982	428,097
42			
43	14. DENR – HARRP Administration	234,105	227,781
44			
45	Department of Administration		
46			
47	15. N.C. Commission on Indian Affairs	87,736	87,736
48			
49	TOTAL LOW-INCOME ENERGY		
50	ASSISTANCE BLOCK GRANT	\$99,194,110	\$99,194,110
51			

1	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
2			
3	Local Program Expenditures		
4			
5	Division of Child Development and Early Education		
6			
7	01. Child Care Services		
8	(Smart Start \$7,000,000)	\$152,923,849	\$152,416,794
9			
10	02. Transfer from TANF Block Grant		
11	for Child Care Subsidies	71,773,001	71,773,001
12			
13	03. Quality and Availability Initiatives		
14	(TEACH Program \$3,800,000)	45,761,678	45,761,678
15			
16	DHHS Administration		
17			
18	Division of Child Development and Early Education		
19			
20	04. DCDEE Administrative Expenses	9,042,159	9,042,159
21			
22	Division of Social Services		
23			
24	05. Local Subsidized Child Care		
25	Services Support	16,436,361	16,436,361
26			
27	06. Direct Deposit for Child Care Payments	505,100	505,100
28			
29	Division of Central Management and Support		
30			
31	07. NC FAST Development	24,237	427,865
32			
33	08. NC FAST Operations and Maintenance	2,758,389	2,468,390
34			
35	09. DHHS Central Administration – DIRM		
36	Technical Services	645,162	645,162
37			
38	10. Central Regional Maintenance	287,854	287,854
39			
40	11. DHHS Central Administration	7,346	7,346
41			
42	Division of Public Health		
43			
44	12. Child Care Health Consultation Contracts	62,205	62,205
45			
46	TOTAL CHILD CARE AND DEVELOPMENT		
47	FUND BLOCK GRANT	\$300,227,341	\$299,833,915
48			
49	MENTAL HEALTH SERVICES BLOCK GRANT		
50			
51	Local Program Expenditures		

1			
2	01. Mental Health Services – Child	\$3,619,833	\$3,619,833
3			
4	02. Mental Health Services – Adult/Child	10,967,792	10,967,792
5			
6	03. Crisis Solutions Initiative – Critical		
7	Time Intervention	750,000	750,000
8			
9	04. Mental Health Services – First		
10	Psychotic Symptom Treatment	1,430,851	1,430,851
11			
12	DHHS Administration		
13			
14	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
15			
16	05. Administration	200,000	200,000
17			
18	TOTAL MENTAL HEALTH SERVICES		
19	BLOCK GRANT	\$16,968,476	\$16,968,476
20			
21	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
22			
23	Local Program Expenditures		
24			
25	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
26			
27	01. Substance Abuse – HIV and IV Drug	\$3,919,723	\$3,919,723
28			
29	02. Substance Abuse Prevention	8,998,382	8,998,382
30			
31	03. Substance Abuse Services – Treatment for		
32	Children/Adults		
33	(Medication-Assisted Opioid Use Disorder		
34	Treatment Pilot Program \$500,000;		
35	First Step Farm of WNC, Inc. \$100,000)	27,722,717	27,621,286
36			
37	04. Crisis Solutions Initiatives – Walk-In		
38	Crisis Centers	420,000	420,000
39			
40	05. Crisis Solutions Initiatives – Collegiate		
41	Wellness/Addiction Recovery	1,085,000	1,085,000
42			
43	06. Crisis Solutions Initiatives – Community		
44	Paramedic Mobile Crisis Management	60,000	60,000
45			
46	07. Crisis Solutions Initiatives – Innovative		
47	Technologies	41,000	41,000
48			
49	DHHS Program Expenditures		
50			
51	Division of Central Management and Support		

1			
2	08. Competitive Block Grant	1,600,000	1,600,000
3			
4	DHHS Administration		
5			
6	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
7			
8	09. Administration	454,000	454,000
9			
10	10. Controlled Substance Reporting System		
11	Enhancement	326,224	427,655
12			
13	Division of Public Health		
14			
15	11. HIV Testing for Individuals in Substance		
16	Abuse Treatment	965,949	965,949
17			
18	Transfers to Other State Agencies		
19			
20	Department of Military and Veterans Affairs		
21			
22	12. Crisis Solutions Initiative – Veteran's Crisis	250,000	250,000
23			
24	TOTAL SUBSTANCE ABUSE PREVENTION		
25	AND TREATMENT BLOCK GRANT	\$45,842,995	\$45,842,995
26			
27	MATERNAL AND CHILD HEALTH BLOCK GRANT		
28			
29	Local Program Expenditures		
30			
31	Division of Public Health		
32			
33	01. Women and Children's Health Services		
34	(Safe Sleep Campaign \$45,000;		
35	Prevent Blindness \$575,000;		
36	March of Dimes \$350,000; Teen Pregnancy		
37	Prevention Initiatives \$650,000;		
38	17P Project \$52,000; Nurse-Family		
39	Partnership \$550,000; Carolina Pregnancy		
40	Care Fellowship \$400,000; Perinatal & Neonatal		
41	Outreach Coordinator Contracts \$440,000)	\$14,002,435	\$14,002,435
42			
43	02. Oral Health	48,227	48,227
44			
45	03. Evidence-Based Programs in Counties		
46	With Highest Infant Mortality Rates	1,575,000	1,575,000
47			
48	DHHS Program Expenditures		
49			
50	04. Children's Health Services	1,427,323	1,427,323
51			

1	05. Women's Health – Maternal Health	169,864	169,864
2			
3	06. Women and Children's Health – Perinatal		
4	Strategic Plan Support Position	68,245	68,245
5			
6	07. State Center for Health Statistics	158,583	158,583
7			
8	08. Health Promotion – Injury and		
9	Violence Prevention	87,271	87,271
10			
11	DHHS Administration		
12			
13	09. Division of Public Health Administration	552,571	552,571
14			
15	TOTAL MATERNAL AND CHILD		
16	HEALTH BLOCK GRANT	\$18,089,519	\$18,089,519
17			
18	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
19			
20	Local Program Expenditures		
21			
22	01. Physical Activity and Prevention	\$3,545,093	\$3,545,093
23			
24	02. Injury and Violence Prevention		
25	(Services to Rape Victims – Set-Aside)	180,778	180,778
26			
27	DHHS Program Expenditures		
28			
29	Division of Public Health		
30			
31	03. HIV/STD Prevention and		
32	Community Planning	145,819	145,819
33			
34	04. Oral Health Preventive Services	451,809	451,809
35			
36	05. Laboratory Services – Testing,		
37	Training, and Consultation	21,012	21,012
38			
39	06. Injury and Violence Prevention		
40	(Services to Rape Victims – Set-Aside)	192,315	192,315
41			
42	07. State Laboratory Services – Testing,		
43	Training, and Consultation	199,634	199,634
44			
45	08. Performance Improvement and		
46	Accountability	1,104,455	1,104,455
47			
48	09. State Center for Health Statistics	107,291	107,291
49			
50	DHHS Administration		
51			

Division of Public Health

10. Division of Public Health	172,820	172,820
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TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT

	\$6,121,026	\$6,121,026
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COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	\$24,187,142	\$24,187,142
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02. Limited Purpose Agencies	1,343,730	1,343,730
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03. Office of Economic Opportunity	1,343,730	1,343,730
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TOTAL COMMUNITY SERVICES BLOCK GRANT

	\$26,874,602	\$26,874,602
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GENERAL PROVISIONS

SECTION 11L.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 11L.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 2017-2018 and 2018-2019, 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.

1 Prior to allocating the change in federal fund availability, the proposed allocation
2 must be approved by the Office of State Budget and Management. If the Department adjusts the
3 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
4 made to the Joint Legislative Oversight Committee on Health and Human Services and the
5 Fiscal Research Division.

6 **SECTION 11L.1.(d)** Except as otherwise provided, appropriations from federal
7 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2019,
8 according to the schedule enacted for State fiscal years 2017-2018 and 2018-2019 or until a
9 new schedule is enacted by the General Assembly.

10 **SECTION 11L.1.(e)** All changes to the budgeted allocations to the Block Grants
11 or contingency funds and other grants related to existing Block Grants administered by the
12 Department of Health and Human Services that are not specifically addressed in this section
13 shall be approved by the Office of State Budget and Management, and the Office of State
14 Budget and Management shall consult with the Joint Legislative Oversight Committee on
15 Health and Human Services for review prior to implementing the changes. The report shall
16 include an itemized listing of affected programs, including associated changes in budgeted
17 allocations. All changes to the budgeted allocations to the Block Grants shall be reported
18 immediately to the Joint Legislative Oversight Committee on Health and Human Services and
19 the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by
20 legislative salary increases and benefit adjustments.

21 **SECTION 11L.1.(f)** Except as otherwise provided, the Department of Health and
22 Human Services shall have flexibility to transfer funding between the Temporary Assistance
23 for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block
24 Grant so long as the total allocation for the line items within those block grants remains the
25 same.

26 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

27 **SECTION 11L.1.(g)** The sum of eighty million ninety-three thousand five hundred
28 sixty-six dollars (\$80,093,566) for each year of the 2017-2019 fiscal biennium appropriated in
29 this section in TANF funds to the Department of Health and Human Services, Division of
30 Social Services, shall be used for Work First County Block Grants. The Division shall certify
31 these funds in the appropriate State-level services based on prior year actual expenditures. The
32 Division has the authority to realign the authorized budget for these funds among the
33 State-level services based on current year actual expenditures. The Division shall also have the
34 authority to realign appropriated funds from Work First Family Assistance for electing counties
35 to the Work First County Block Grant for electing counties based on current year expenditures
36 so long as the electing counties meet Maintenance of Effort requirements.

37 **SECTION 11L.1.(h)** The sum of nine million four hundred twelve thousand three
38 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of
39 Health and Human Services, Division of Social Services, in TANF funds for each fiscal year of
40 the 2017-2019 fiscal biennium for child welfare improvements shall be allocated to the county
41 departments of social services for hiring or contracting staff to investigate and provide services
42 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
43 license, and support prospective foster and adoptive families; and to provide interstate and
44 post-adoption services for eligible families.

45 Counties shall maintain their level of expenditures in local funds for Child
46 Protective Services workers. Of the Block Grant funds appropriated for Child Protective
47 Services workers, the total expenditures from State and local funds for fiscal years 2017-2018
48 and 2018-2019 shall not be less than the total expended from State and local funds for the
49 2012-2013 fiscal year.
50

1 **SECTION 11L.1.(i)** The sum of two million twenty-six thousand eight hundred
2 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the
3 Department of Health and Human Services, Special Children Adoption Fund, for each fiscal
4 year of the 2017-2019 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The
5 Division of Social Services, in consultation with the North Carolina Association of County
6 Directors of Social Services and representatives of licensed private adoption agencies, shall
7 develop guidelines for the awarding of funds to licensed public and private adoption agencies
8 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received
9 from the Special Children Adoption Fund by participating agencies shall be used exclusively to
10 enhance the adoption services program. No local match shall be required as a condition for
11 receipt of these funds.

12 **SECTION 11L.1.(j)** The sum of one million four hundred thousand dollars
13 (\$1,400,000) appropriated in this section in TANF funds to the Department of Health and
14 Human Services, Division of Social Services, for each fiscal year of the 2017-2019 fiscal
15 biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to
16 improve the outcomes for families and children involved in child welfare and (ii) enhance the
17 provision of services to families in their homes in the least restrictive setting.

18 **SOCIAL SERVICES BLOCK GRANT**

19 **SECTION 11L.1.(k)** The sum of thirty-two million nine hundred seventy-one
20 thousand four hundred ninety-eight dollars (\$32,971,498) for the 2017-2018 fiscal year and the
21 sum of thirty-three million three thousand six hundred thirty-two dollars (\$33,003,632) for the
22 2018-2019 fiscal year appropriated in this section in the Social Services Block Grant to the
23 Department of Health and Human Services, Division of Social Services, shall be used for
24 county block grants. The Division shall certify these funds in the appropriate State-level
25 services based on prior year actual expenditures. The Division has the authority to realign the
26 authorized budget for these funds, as well as State Social Services Block Grant funds, among
27 the State-level services based on current year actual expenditures.

28 Of the funds appropriated in this subsection for each year of the 2017-2019 fiscal
29 biennium for county block grants, three million dollars (\$3,000,000) shall be used to assist
30 counties in the implementation of Project 4, Child Services, in North Carolina Families
31 Accessing Services Through Technology (NC FAST). These funds shall be available in each
32 fiscal year of the fiscal biennium for this purpose.

33 **SECTION 11L.1.(l)** The sum of one million three hundred thousand dollars
34 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
35 of Health and Human Services, Division of Social Services, for each fiscal year of the
36 2017-2019 fiscal biennium shall be used to support various child welfare training projects as
37 follows:
38

- 39 (1) Provide a regional training center in southeastern North Carolina.
- 40 (2) Provide training for residential child caring facilities.
- 41 (3) Provide for various other child welfare training initiatives.

42 **SECTION 11L.1.(m)** The Department of Health and Human Services is
43 authorized, subject to the approval of the Office of State Budget and Management, to transfer
44 Social Services Block Grant funding allocated for departmental administration between
45 divisions that have received administrative allocations from the Social Services Block Grant.

46 **SECTION 11L.1.(n)** Social Services Block Grant funds appropriated for the
47 Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

48 **SECTION 11L.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
49 appropriated in this section in the Social Services Block Grant for each fiscal year of the
50 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human Services,
51 Division of Social Services. The Division shall allocate these funds to local departments of

1 social services to replace the loss of Child Protective Services State funds that are currently
2 used by county governments to pay for Child Protective Services staff at the local level. These
3 funds shall be used to maintain the number of Child Protective Services workers throughout the
4 State. These Social Services Block Grant funds shall be used to pay for salaries and related
5 expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of
6 twenty-five percent (25%).

7 **SECTION 11L.1.(p)** The sum of four million five hundred eight thousand seven
8 hundred fifty-four dollars (\$4,508,754) for the 2017-2018 fiscal year and the sum of four
9 million four hundred seventy-six thousand six hundred twenty dollars (\$4,476,620)
10 appropriated in this section in the Social Services Block Grant to the Department of Health and
11 Human Services (DHHS), Division of Central Management and Support, shall be used for
12 DHHS competitive block grants pursuant to Section 11A.14 of this act. These funds are exempt
13 from the provisions of 10A NCAC 71R .0201(3).

14 **SECTION 11L.1.(q)** The sum of five hundred eighty-two thousand dollars
15 (\$582,000) appropriated in this section in the Social Services Block Grant for each fiscal year
16 of the 2017-2019 fiscal biennium to the Department of Health and Human Services, Division of
17 Social Services, shall be used to continue support for the Child Advocacy Centers, and the
18 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

19 **SECTION 11L.1.(r)** The sum of three million nine hundred ninety-two thousand
20 two hundred thirteen dollars (\$3,992,213) for each fiscal year of the 2017-2019 fiscal biennium
21 appropriated in this section in the Social Services Block Grant to the Department of Health and
22 Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for
23 guardianship services pursuant to Chapter 35A of the General Statutes. The Department may
24 expend funds appropriated in this section to support existing corporate guardianship contracts
25 during the 2017-2018 and 2018-2019 fiscal years.

26 **SECTION 11L.1.(s)** The sum of seven hundred thirty-seven thousand sixty-seven
27 dollars (\$737,067) appropriated in this section in the Social Services Block Grant for each
28 fiscal year of the 2017-2019 fiscal biennium shall be allocated to the Department of Health and
29 Human Services, Division of Social Services. These funds shall be used to assist with training
30 needs for county child welfare training staff and shall not be used to supplant any other source
31 of funding for staff. County departments of social services are exempt from 10A NCAC 71R
32 .0201(3) requiring a local match of twenty-five percent (25%).

33 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

34 **SECTION 11L.1.(t)** Additional emergency contingency funds received may be
35 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
36 consultation with the Joint Legislative Oversight Committee on Health and Human Services.
37 Additional funds received shall be reported to the Joint Legislative Oversight Committee on
38 Health and Human Services and the Fiscal Research Division upon notification of the award.
39 The Department of Health and Human Services shall not allocate funds for any activities,
40 including increasing administration, other than assistance payments, without prior consultation
41 with the Joint Legislative Oversight Committee on Health and Human Services.

42 **SECTION 11L.1.(u)** The sum of thirty-six million four hundred two thousand six
43 hundred ten dollars (\$36,402,610) for the 2017-2018 fiscal year and the sum of thirty-five
44 million four hundred nineteen thousand two hundred seventy-two dollars (\$35,419,272) for the
45 2018-2019 fiscal year appropriated in this section in the Low-Income Energy Assistance Block
46 Grant to the Department of Health and Human Services, Division of Social Services, shall be
47 used for Energy Assistance Payments for the households of (i) elderly persons age 60 and
48 above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii)
49 disabled persons eligible for services funded through the Division of Aging and Adult Services.
50

1 County departments of social services shall submit to the Division of Social
2 Services an outreach plan for targeting households with 60-year-old household members no
3 later than August 1 of each year. The outreach plan shall comply with the following:

- 4 (1) Ensure that eligible households are made aware of the available assistance,
5 with particular attention paid to the elderly population age 60 and above and
6 disabled persons receiving services through the Division of Aging and Adult
7 Services.
- 8 (2) Include efforts by the county department of social services to contact other
9 State and local governmental entities and community-based organizations to
10 (i) offer the opportunity to provide outreach and (ii) receive applications for
11 energy assistance.
- 12 (3) Be approved by the local board of social services or human services board
13 prior to submission.
14

15 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

16 **SECTION 11L.1.(v)** Payment for subsidized child care services provided with
17 federal TANF funds shall comply with all regulations and policies issued by the Division of
18 Child Development and Early Education for the subsidized child care program.

19 **SECTION 11L.1.(w)** If funds appropriated through the Child Care and
20 Development Fund Block Grant for any program cannot be obligated or spent in that program
21 within the obligation or liquidation periods allowed by the federal grants, the Department may
22 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the
23 grant, in order to use the federal funds fully.
24

25 **MENTAL HEALTH SERVICES BLOCK GRANT**

26 **SECTION 11L.1.(x)** The sum of one million four hundred thirty thousand eight
27 hundred fifty-one dollars (\$1,430,851) appropriated in this section in the Mental Health
28 Services Block Grant to the Department of Health and Human Services, Division of Mental
29 Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the
30 2017-2019 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom
31 Treatment. The Division shall report on (i) the specific evidence-based treatment and services
32 provided, (ii) the number of persons treated, and (iii) the measured outcomes or impact on the
33 participants served. The Division shall report to the House of Representatives Appropriations
34 Committee on Health and Human Services, the Senate Appropriations Committee on Health
35 and Human Services, and the Fiscal Research Division no later than December 31 of each year.
36

37 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

38 **SECTION 11L.1.(y)** The sum of two hundred fifty thousand dollars (\$250,000)
39 appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to
40 the Department of Health and Human Services, Division of Mental Health, Developmental
41 Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal
42 biennium shall be allocated to the Department of Military and Veterans Affairs, for the call-in
43 center established to assist veterans in locating service benefits and crisis services. The call-in
44 center shall be staffed by certified veteran peers within the Department of Military and
45 Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and
46 Substance Abuse Services.

47 **SECTION 11L.1.(z)** The sum of five hundred thousand dollars (\$500,000)
48 allocated in this section in the Substance Abuse Prevention and Treatment Block Grant to the
49 Department of Health and Human Services, Division of Mental Health, Developmental
50 Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal
51 biennium shall be used for a medication-assisted opioid use disorder treatment pilot program.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 11L.1.(aa) 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 2017-2018 fiscal year or the 2018-2019 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 11L.1.(bb) 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 fiscal year of the 2017-2019 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 evidence-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 of each year.

SECTION 11L.1.(cc) 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.

SECTION 11L.1.(dd) The sum of sixty-eight thousand two hundred forty-five dollars (\$68,245) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, Women and Children's Health Section, for each fiscal year of the 2017-2019 fiscal biennium shall not be used to supplant existing State or federal funds. This allocation shall be used for a Public Health Program Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

PART XII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**ELIMINATE PESTICIDE ADVISORY COMMITTEE**

SECTION 12.1.(a) Effective July 1, 2017, the Pesticide Advisory Committee is abolished, and all records, property, and unexpended balances of funds of the Committee are transferred to the Structural Pest Control and Pesticides Division of the Department of Agriculture and Consumer Services.

SECTION 12.1.(b) G.S. 143-439 and subdivision (6) of G.S. 143-460 are repealed.

SUPPLEMENTAL FUNDING FOR DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SECTION 12.2. The sum of one million dollars (\$1,000,000) in recurring funds for each year of the 2017-2019 fiscal biennium appropriated in this act to the Department of Agriculture and Consumer Services shall be used to supplement funding to the Department. The Department may use a portion of the funds to offset costs potentially incurred by the Department in federal litigation to protect the rights of landowners and citizens of the State impacted by the Environmental Protection Agency's "Waters of the United States" rule. In accordance with G.S. 147-17(c1), as amended by this act, and G.S. 114-2.3(d), as amended by

1 this act, the Department may use the funds described in this section to employ and supervise
2 private counsel if it decides to participate in the federal litigation.

4 **PART XIII. DEPARTMENT OF ENVIRONMENTAL QUALITY**

6 **I & M AIR POLLUTION CONTROL ACCOUNT**

7 **SECTION 13.1.** G.S. 143-215.3A(b1) reads as rewritten:

8 "(b1) The I & M Air Pollution Control Account is established as a nonreverting account
9 within the Department. Fees transferred to the Division of Air Quality of the Department
10 pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and
11 shall be applied to ~~the costs of developing and implementing an air pollution control program~~
12 for mobile sources administering the air quality program."

14 **VOLKSWAGEN SETTLEMENT FUNDS**

15 **SECTION 13.2.(a)** In developing the "Beneficiary Mitigation Plan" (Plan) as
16 mandated in the procedures for distribution of the State's share of the environmental mitigation
17 trust established in the consent decree resolving the case *In Re: Volkswagen "Clean Diesel"*
18 *Marketing, Sales Practices, and Products Liability Litigation*, Civil Case No. 3:15-md-02672
19 in the United States District Court for the Northern District of California, the agency designated
20 by the Governor as the lead agency under the procedures set forth in the trust agreement shall
21 be guided by the following parameters:

- 22 (1) The Plan shall prioritize spending on funding categories that will attract new
23 employers to the State or will encourage job growth from existing
24 employers.
- 25 (2) Expenditures of funds received under the Plan shall be used in a manner that
26 will prioritize benefits to small businesses.
- 27 (3) Any expenditures of funds received under the Plan for replacement or
28 repowering of vehicles shall prioritize new diesel or alternate fueled engines
29 and parts that are manufactured in this State.

30 **SECTION 13.2.(b)** As set forth in G.S. 114-2.4A(f), no funds may be expended
31 under the Plan until the lead agency has submitted the Plan to the Joint Legislative Commission
32 on Governmental Operations, the chairs of the House and Senate Appropriations Committees,
33 and the Fiscal Research Division and the General Assembly has appropriated the funds. The
34 lead agency designated by the Governor shall revise and resubmit the Plan to the trustee
35 following the procedures set forth in the trust agreement to be consistent with the appropriation.

37 **PRE-REGULATORY LANDFILL REPURPOSING**

38 **SECTION 13.3.** Notwithstanding G.S. 130A-310.11(b), one million dollars
39 (\$1,000,000) of the funds credited to the Inactive Hazardous Sites Cleanup Fund under
40 G.S. 105-187.63 for the assessment and remediation of pre-1983 landfills shall instead be
41 allocated to the City of Havelock for the repurposing of the Phoenix Recycling site.

43 **PRE-REGULATORY LANDFILL ASSUMPTION OF RISK**

44 **SECTION 13.4.(a)** G.S. 130A-310.6(c) reads as rewritten:

45 "(c) The Secretary shall use funds allocated to the Department under ~~G.S. 130A-295.9(1)~~
46 G.S. 130A-295.9 to assess pre-1983 landfills, to determine the priority for remediation of
47 pre-1983 landfills, and to develop and implement a remedial action plan for each pre-1983
48 landfill that requires remediation. Environmental and human health risks posed by a pre-1983
49 landfill may be mitigated using a risk-based approach for assessment and remediation. The
50 Secretary shall develop a program to permit owners of property containing a pre-1983 landfill
51 to suspend the further application of requirements of the program authorized by this subsection

1 for as long as the owner continues to own the property if the owner complies with all of the
2 following requirements:

3 (1) The property owner signs an assumption of liability agreement agreeing to
4 accept all liability for potential on-site and off-site impacts caused by the
5 pre-1983 landfill.

6 (2) The property owner provides financial assurance for any future impacts. The
7 Department shall set the financial assurance requirement in a reasonable
8 manner based on the information on current site conditions and historical
9 disposal records or other information provided by the property owner. The
10 requirement for financial assurance of this subdivision shall not apply where
11 (i) the pre-1983 landfill served as the municipal landfill for a unit of local
12 government and (ii) the unit of local government provided no financial
13 compensation for the waste disposal to the owner of the landfill site."

14 **SECTION 13.4.(b)** The Department may issue temporary and permanent rules to
15 implement this section.

16 **SECTION 13.4.(c)** The Department shall provide an interim report on its
17 implementation of this section no later than April 1, 2018, and recurring updates on February 1
18 of each subsequent year until the Department has issued either a final guidance document or
19 final rules implementing this section. The reports shall be submitted to the Joint Legislative
20 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
21 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
22 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
23 Economic Resources, and the Fiscal Research Division.

24 **STUDY SOLID WASTE DISPOSAL TAX**

25 **SECTION 13.5.** The Environmental Review Commission shall study North
26 Carolina's solid waste disposal tax imposed under Article 5G of Chapter 105 of the General
27 Statutes. In conducting this study, the Commission shall examine (i) a detailed history of the
28 annual revenue generated from the tax and its distribution over time to the Department of
29 Environmental Quality and local governments; (ii) a detailed history of expenditures by the
30 Department of Environmental Quality of tax proceeds received to date, including to whom and
31 for what purposes the expenditures were made; (iii) all work completed by the Department of
32 Environmental Quality using proceeds of the tax, including detailed information on the location
33 of sites at which work was performed and a summary of the status of said sites; (iv) plans for
34 future work to be conducted by the Department of Environmental Quality using proceeds of the
35 tax, including detailed information on sites to be addressed and proposed schedules for work;
36 (v) the current balance of the Inactive Hazardous Sites Cleanup Fund; and (vi) any other issue
37 the Commission deems relevant. The Environmental Review Commission shall report its
38 findings and recommendations, including any legislative proposals, to the 2018 Regular
39 Session of the 2017 General Assembly upon its convening.

40 **STUDY EROSION AND SEDIMENT CONTROL/NPDES STORMWATER MERGER**

41 **SECTION 13.6.** The Department of Environmental Quality shall study the
42 abolishment of the Sedimentation Control Commission and transfer of duties to the
43 Environmental Management Commission and a subsequent combination of the Sedimentation
44 and Erosion Control permitting program with the Department's NPDES Stormwater permitting
45 program. In its report, the Department shall set forth the potential cost savings from abolishing
46 the Sedimentation Control Commission and the program merger, any positive or negative
47 impacts on ease of environmental permitting and permit processing and issuance times, and any
48 other impacts on each program and on the workload of the Environmental Management
49 Commission. The Department shall provide its report no later than April 1, 2018, to the Joint
50
51

1 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
2 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
3 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
4 Natural, and Economic Resources, and the Fiscal Research Division.

5 6 **DIGITAL DATA STUDY**

7 **SECTION 13.7.** The North Carolina Policy Collaboratory at the University of
8 North Carolina at Chapel Hill shall develop a proposal to identify and acquire digital data
9 relevant to environmental monitoring and natural resource management, including, but not
10 limited to, the digitization of analog records. In developing the proposal, the Collaboratory
11 shall consult with the Department of Environmental Quality and the Department of Information
12 Technology. The Collaboratory shall assess the feasibility of transferring these data to a central,
13 searchable, and publicly accessible digital database hosted by The University of North Carolina
14 System. The Collaboratory shall provide its proposal no later than March 1, 2018, to the Joint
15 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
16 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
17 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
18 Natural, and Economic Resources, and the Fiscal Research Division.

19 20 **STUDY ACQUISITION OF DEDICATED DREDGING CAPACITY**

21 **SECTION 13.8.(a)** The Division of Water Resources of the Department of
22 Environmental Quality shall study the feasibility and cost-effectiveness of the acquisition by
23 the State of North Carolina of a hopper dredge. The study shall include all of the following:

- 24 (1) The capital and annual operating costs of the hopper dredge.
- 25 (2) The expected level of utilization of a State-owned hopper dredge and
26 opportunities for defraying operating expenses by the sale of dredging
27 services to other states, the federal government, and private parties.
- 28 (3) Options for minimizing costs and increasing cost-effectiveness, including an
29 evaluation of public-private partnerships and shared ownership arrangements
30 with neighboring states or the United States Army Corps of Engineers.

31 **SECTION 13.8.(b)** The Department shall provide its study and any
32 recommendations for fiscal or legislative actions no later than April 1, 2018, to the Joint
33 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
34 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
35 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
36 Natural, and Economic Resources, and the Fiscal Research Division.

37 38 **WATER AND WASTEWATER INFRASTRUCTURE**

39 **SECTION 13.9.(a)** Of the funds appropriated in this act to the Division of Water
40 Infrastructure for State water and wastewater infrastructure grants, the sum of one hundred
41 thousand dollars (\$100,000) shall be allocated to the North Carolina Policy Collaboratory at the
42 University of North Carolina at Chapel Hill to develop and deploy, in consultation with the
43 Local Government Commission, the Division of Water Infrastructure of the Department of
44 Environmental Quality, and the Environmental Finance Center at the University of North
45 Carolina at Chapel Hill School of Government (the Center), a predictive analysis tool to assess
46 the state of municipal water and wastewater infrastructure within the State. At a minimum, this
47 analysis shall build upon the findings and data included in the 2017 Statewide Water and
48 Wastewater Infrastructure Master Plan published by the North Carolina Division of Water
49 Infrastructure and the North Carolina water and wastewater rates dashboard online tool created
50 and operated by the Center.

1 The analysis shall also consider how to quantify and make available to policymakers
2 additional variables and information pertaining to infrastructure management such as (i) the
3 physical description and physical condition of the infrastructure, (ii) time lines and projected
4 costs of infrastructure operation, maintenance, repair, and replacement necessary to ensure
5 operational efficiency and engineering integrity, (iii) measures of the fiscal health of the owner
6 or operator of the infrastructure based on existing infrastructure valuation, current ratepayer
7 revenue, projected ratepayer revenue tied to population growth or population decline, and rate
8 schedule, (iv) a summary of shutdowns and failures of the infrastructure, (v) potential
9 opportunities for regionalization or privatization of the infrastructure, (vi) benchmarking, asset
10 inventory, and other relevant variables and data required to effectively manage infrastructure,
11 and (vii) any other variables deemed appropriate for a valid analysis of future costs and
12 concerns related to the infrastructure.

13 **SECTION 13.9.(b)** A portion of the funds allocated by this section may be used to
14 supplement grants provided by the State Water Infrastructure Authority and administered by
15 the North Carolina Division of Water Infrastructure in order to gather additional data from
16 municipalities and counties carrying out asset inventory and assessments. No indirect facilities
17 and administrative costs shall be charged by the University against the funds transferred by this
18 subsection. Notwithstanding any other provision of law, the Collaboratory shall also be eligible
19 for, and have access to, the North Carolina Government Data Analytics Center to carry out the
20 requirements of this section.

21 **SECTION 13.9.(c)** The Collaboratory shall provide a summary of the predictive
22 analysis tool and its other findings and recommendations no later than December 31, 2018, to
23 the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
24 Resources, the Environmental Review Commission, the chairs of the House of Representatives
25 Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of
26 the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and
27 the Fiscal Research Division.

28 **WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS**

29 **SECTION 13.10.** Notwithstanding G.S. 159G-22, funds appropriated in this act to
30 the Division of Water Infrastructure for the Clean Water State Revolving Fund and the
31 Drinking Water State Revolving Fund to provide State matching funds that are in excess of the
32 amount required to draw down the maximum amount of federal capitalization grant funds may
33 be used for State water and wastewater infrastructure grants awarded from the Wastewater
34 Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of
35 the State.
36

37 **COASTAL STORM DAMAGE MITIGATION FUND**

38 **SECTION 13.11.** Article 21 of Chapter 143 of the General Statutes is amended by
39 adding a new Part to read:

40 "Part 8D. Coastal Storm Damage Mitigation.

41 **"§ 143-215.73M. Coastal Storm Damage Mitigation Fund.**

42 (a) Fund Established. – The Coastal Storm Damage Mitigation Fund is established as a
43 special revenue fund. The Fund consists of General Fund appropriations, gifts, grants, devises,
44 monies contributed by a non-State entity for a particular beach nourishment or damage
45 mitigation project or group of projects, and any other revenues specifically allocated to the
46 Fund by an act of the General Assembly.

47 (b) Uses of the Fund. – Revenue credited to the Fund may only be used for costs
48 associated with beach nourishment, artificial dunes, and other projects to mitigate or remediate
49 coastal storm damage to the ocean beaches and dune systems of the State.
50

1 (c) Conditions on Funding. – Any project funded by revenue from the Fund must be
2 cost shared with non-State dollars as follows:

3 (1) The cost share for projects located, in whole or part, in a development tier
4 one area, as defined in G.S. 143B-437.08, shall be at least one non-State
5 dollar for every three dollars from the Fund.

6 (2) The cost share for projects not located, in whole or part, in a development
7 tier one area shall be at least one non-State dollar for every two dollars from
8 the Fund.

9 (d) Return of Non-State Entity Funds. – Non-State entities that contribute to the Fund
10 for a particular project or group of projects may make a written request to the Secretary that the
11 contribution be returned if the contribution has not been spent or encumbered within two years
12 of receipt of the contribution by the Fund. If the written request is made prior to the funds being
13 spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the
14 later of (i) receiving the request or (ii) the expiration of the two-year period described by this
15 subsection."

17 **OYSTER RESEARCH REPORTING**

18 **SECTION 13.12.** The Division of Marine Fisheries and the University of North
19 Carolina at Wilmington shall annually report no later than March 1 to the chairs of the Senate
20 and the House of Representatives appropriations committees with jurisdiction over natural and
21 economic resources and the Fiscal Research Division regarding the funding for oyster research
22 and restoration activities provided by this act. The report shall include details regarding the use
23 of the funds, including activities completed and additional personnel supported by the funds.
24

25 **CONTINUE RESEARCH SUPPORT FOR SHELLFISH INDUSTRY**

26 **SECTION 13.13.(a)** Section 14.11 of S.L. 2016-94 reads as rewritten:

27 **"PROMOTE SHELLFISH INDUSTRY**

28 ...
29 "**SECTION 14.11.(d)** ~~The Chief Sustainability Officer of North Carolina Policy~~
30 Collaboratory at the University of North Carolina at Chapel Hill shall convene a stakeholder
31 working group to study and advance efforts to ecologically restore and achieve economic
32 stability of the shellfish aquaculture industry, including (i) how best to spend financial
33 resources to counter declining native oyster populations and shellfish habitats; (ii) the use of
34 nonnative-appropriate oyster species to accomplish oyster restoration; (iii) means of combating
35 oyster disease and managing harvesting practices to balance the needs of the industry and
36 promote long-term viability and health of oyster habitat and substrate; (iv) economic
37 aquaculture economically and scientifically sound mariculture methods to improve oyster stock
38 and populations; (v) long-term, dedicated options for funding sources and water quality
39 improvements; (vi) means to increase oyster production for both population growth and
40 harvest; harvest, including the use of triploid oyster species; (vii) options that expand the use of
41 private shellfish hatchery capacity in the State; (viii) options for promoting the use of cultch
42 planting to enhance and increase oyster habitat and population; (ix) other resources that might
43 be leveraged to enhance reform efforts; and (x) any other issue the Institute-Collaboratory
44 deems relevant.

45 "**SECTION 14.11.(e)** In the conduct of the study required by subsection (d) of this section,
46 ~~the Officer-Collaboratory shall convene and consult with a stakeholders group that includes~~
47 ~~representatives of the commercial and recreational oyster harvesting industries, the North~~
48 ~~Carolina Division of Marine Fisheries, the Marine Fisheries Commission, nature conservation~~
49 ~~entities, and experts in the fields of marine biology and marine ecology.~~may consist of
50 representatives from appropriate State and federal agencies; academic institutions;
51 nongovernmental organizations; representatives of any industry working in, or benefitting

1 from, shellfish mariculture; and any other individuals or groups deemed by the Collaboratory as
2 being relevant to the overall success of the study. Nothing in this subsection is intended to
3 require a particular process or level of procedural formality for the stakeholders group.

4"

5 **SECTION 13.13.(b)** In addition to the study required by Subsection 14.11(d) of
6 S.L. 2016-94, the North Carolina Policy Collaboratory shall also prepare and deliver a Shellfish
7 Mariculture Plan by December 31, 2018. All State entities shall provide all information,
8 resources, and support deemed relevant by the Collaboratory for the creation of the Shellfish
9 Mariculture Plan. The plan shall be submitted to the Joint Legislative Oversight Committee on
10 Agriculture and Natural and Economic Resources, the chairs of the House of Representatives
11 Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of
12 the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and
13 the Fiscal Research Division and shall consider the following:

- 14 (1) A summary of available and relevant information on shellfish mariculture.
- 15 (2) An analysis of existing programs, policies, rules, and laws that govern or
16 affect shellfish mariculture operations within the State, including an
17 examination of workforce training and marketing programs that could
18 facilitate the growth of shellfish mariculture within the State.
- 19 (3) A summary of shellfish mariculture plans from other states and countries,
20 including a comparison of how these entities (i) promote and manage
21 shellfish mariculture, (ii) reduce barriers to entry for potential participants in
22 shellfish mariculture, and (iii) offer incentives to encourage entry into
23 shellfish mariculture.
- 24 (4) Analysis of siting strategies that reduce potential user conflicts impeding the
25 siting of shellfish mariculture operations and that protect riparian property
26 owners and the public trust uses of estuarine waters for navigation, fishing,
27 and recreation.
- 28 (5) Evaluation and consideration of enforcement mechanisms necessary to
29 protect shellfish mariculture operations from theft and degradation and to
30 ensure that shellfish mariculture operations make productive and fair use of
31 public trust coastal waters dedicated to these operations.
- 32 (6) Opportunities for local traditional fishermen to effectively compete for
33 shellfish mariculture sites in public waters and participate in enterprises in or
34 near their own communities.
- 35 (7) Examination of environmental policies that protect or enhance shellfish
36 mariculture operations.
- 37 (8) Consideration of the most appropriate substrate for cultch planting, with
38 consideration of regional differences in bottom conditions within the State
39 that may require different substrates to maximize shellfish sustainability.
- 40 (9) Strategies to mitigate or eliminate shellfish pests such as DMX, Dermo, and
41 boring sponges.
- 42 (10) Any other issues deemed relevant by the Collaboratory to grow and support
43 shellfish mariculture within the State.

44 **SECTION 13.13.(c)** The University of North Carolina at Chapel Hill shall not
45 charge indirect facilities and administrative costs against the funding for the studies required by
46 this section.

47 **SECTION 13.13.(d)** The Economic Development Partnership of North Carolina,
48 in consultation with the North Carolina Policy Collaboratory, the Department of Commerce,
49 and the Department of Natural and Cultural Resources, and any other stakeholders the
50 Partnership deems relevant, including the North Carolina Tourism Advisory Board, the North
51 Carolina Restaurant and Lodging Association, the North Carolina Shellfish Growers

1 Association, and the North Carolina Fisheries Association, shall develop conceptual plans and
2 recommendations for economic development related to promotion of the State's shellfish
3 harvesting heritage. The plans and recommendations shall include the creation of a North
4 Carolina Oyster Trail and a North Carolina Oyster Festival. Plan development shall be
5 congruent with the ongoing work of the North Carolina Policy Collaboratory and its
6 stakeholder group as described in this section and shall include recommendations of locations,
7 oversight, governmental support, cost, and timing of when such initiatives should be launched
8 in the future, including, but not limited to, achieving production and acreage benchmarks, in
9 addition to any other information deemed relevant for inclusion. The Partnership's
10 recommendations shall be provided no later than March 1, 2018, to the Joint Legislative
11 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
12 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
13 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
14 Economic Resources, and the Fiscal Research Division. This study, as it may be subsequently
15 amended after submission, shall be included as an appendix to the Shellfish Mariculture Plan
16 required by subsection (b) of this section.

17 18 **MARINE PATROL/SHELLFISH SANITATION EQUIPMENT SALES**

19 **SECTION 13.14.(a)** The Division of Marine Fisheries of the Department of
20 Environmental Quality may sell the following equipment and vessels from its fleet in order to
21 modernize the fleet:

- 22 (1) 1991 Lull telehandler.
- 23 (2) 1984 LRT-100 crane.
- 24 (3) 1999 Hudson Brothers lowboy trailer.
- 25 (4) 1970s-era 135' M/V West Bay vessel.

26 Notwithstanding G.S. 143C-6-4 or any other provision of law, the Division may
27 spend funds received from the sales authorized by this subsection for future equipment
28 acquisitions to support the Shellfish Rehabilitation and Habitat Enhancement Programs. The
29 sales proceeds are appropriated for that purpose and shall be incorporated into the authorized
30 budget of the Division.

31 **SECTION 13.14.(b)** The Division shall report to the Fiscal Research Division and
32 the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
33 Resources on the proceeds of the sales authorized by this section and the Division's plan for use
34 of the proceeds.

35 36 **ASSENT TO PROVISIONS OF CERTAIN FEDERAL FISHERIES ACTS**

37 **SECTION 13.15.(a)** The title of Article 23 of Chapter 113 of the General Statutes
38 reads as rewritten:

39 "Article 23.

40 "~~Administrative Provisions; Regulatory Authority of Wildlife Resources Commission.~~ Assent to
41 Certain Federal Acts."

42 **SECTION 13.15.(b)** G.S. 113-307.1 reads as rewritten:

43 **"§ 113-307.1. Legislative assent to specific federal acts.**

44 ...

45 (b) The State of North Carolina hereby assents to the provisions of the act of Congress
46 entitled "An act to provide that the United States shall aid the states in wildlife restoration
47 projects, and for other purposes," approved September 2, 1937 (Public Law 415, 75th
48 ~~Congress~~), Congress, also known as the "Pittman-Robertson Act", 16 U.S.C. § 669, et seq., as
49 amended, and the Wildlife Resources Commission ~~is~~ and the Division of Marine Fisheries of
50 the Department of Environmental Quality are hereby authorized, empowered, and directed to
51 perform such acts as may be necessary to the conduct and establishment of cooperative wildlife

1 restoration projects, as defined in ~~said act of Congress, the Pittman-Robertson Act in~~
 2 compliance with ~~said act the Act~~ and rules and regulations promulgated by the Secretary of the
 3 Interior ~~thereunder; and no thereunder~~. No funds accruing to the State of North Carolina from
 4 license fees paid by hunters shall be diverted for any other purpose than the protection and
 5 propagation of game and wildlife in North Carolina and administration of the laws enacted for
 6 such purposes, which laws are and shall be administered by the Wildlife Resources
 7 Commission. No funds accruing to the State of North Carolina from license fees paid by
 8 fishermen for license programs administered by the Division of Marine Fisheries shall be
 9 diverted for any other purpose than the administration by the Division of Marine Fisheries of
 10 the Department of Environmental Quality of the portion of the State's fish programs applicable
 11 to the marine and estuarine resources over which the Division has authority under State law.
 12 Revenues collected from coastal recreational fishing licenses in accordance with the provisions
 13 of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the
 14 Division of Marine Fisheries and for program functions described by this subsection.

15 (c) Assent is hereby given to the provisions of the act of Congress entitled "An act to
 16 provide that the United States shall aid the states in fish restoration and management projects,
 17 and for other purposes," approved August 9, 1950 (Public Law 681, 81st ~~Congress~~), ~~Congress~~,
 18 also known as the "Dingell-Johnson Sport Fish Restoration Act", 16 U.S.C. § 777, et seq., as
 19 amended, and the Wildlife Resources Commission ~~is~~ and the Division of Marine Resources of
 20 the Department of Environmental Quality are hereby authorized, empowered, and directed to
 21 perform such acts as may be necessary to the conduct and establishment of cooperative fish
 22 restoration projects, as defined in ~~said act of Congress, the Dingell-Johnson Sport Fish~~
 23 Restoration Act in compliance with ~~said act the Act~~ and rules and regulations promulgated by
 24 the Secretary of the Interior thereunder; and no funds accruing to the State of North Carolina
 25 from license fees paid by fishermen shall be directed for any other purpose than the following:

- 26 (1) The administration of the Wildlife Resources Commission and for the
 27 protection, propagation, preservation, and investigation of fish and wildlife.
 28 (2) The administration by the Division of Marine Fisheries of the Department of
 29 Environmental Quality of the portion of the State's fish programs applicable
 30 to the marine and estuarine resources over which the Division has authority
 31 under State law. Revenues collected from coastal recreational fishing
 32 licenses in accordance with the provisions of G.S. 113-175.1(c) and
 33 G.S. 113-175.5(c) shall be used solely for the administration of the Division
 34 of Marine Fisheries and for program functions described by this subdivision.

35"

36 **SECTION 13.15.(c)** G.S. 113-175.1 reads as rewritten:

37 "**§ 113-175.1. North Carolina Marine Resources Fund.**

38 ...

39 (b) The State Treasurer shall hold the Marine Resources Fund separate and apart from
 40 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine
 41 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all
 42 marine resources investment income shall be deposited to the credit of the Marine Resources
 43 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and
 44 marine resources investment income only upon the written direction of the ~~Marine Fisheries~~
 45 Commission Division of Marine Fisheries of the Department of Environmental Quality.

46 (c) ~~The Marine Fisheries Commission~~ Division of Marine Fisheries of the Department
 47 of Environmental Quality may authorize the disbursement of the principal of the Marine
 48 Resources Fund and marine resources investment income only to manage, protect, restore,
 49 develop, cultivate, conserve, and enhance the marine resources of the State. ~~The Marine~~
 50 ~~Fisheries Commission is encouraged to consider supporting the Oyster Sanctuary Program~~
 51 ~~managed by the Division of Marine Fisheries. The Marine Fisheries Commission~~ The Division

1 of Marine Fisheries may not authorize the disbursement of the principal of the Marine
 2 Resources Fund and marine resources investment income to establish positions without specific
 3 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~
 4 ~~for the disbursement of funds from the Marine Resources Fund shall be made by and through~~
 5 ~~the Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Fund, the
 6 ~~Marine Fisheries Commission~~ Division of Marine Fisheries shall consult with the Wildlife
 7 Resources Commission about these proposals. Expenditure of the assets of the Marine
 8 Resources Fund shall be made through the State budget accounts of the Division of Marine
 9 Fisheries in accordance with the provisions of the Executive Budget Act. The Marine
 10 Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of
 11 Chapter 147 of the General Statutes."

12 **SECTION 13.15.(d)** G.S. 113-175.5 reads as rewritten:

13 "**§ 113-175.5. North Carolina Marine Resources Endowment Fund.**

14 ...

15 (b) The State Treasurer shall hold the Endowment Fund separate and apart from all
 16 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the
 17 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The
 18 State Treasurer shall disburse the endowment investment income only upon the written
 19 direction of ~~both the Marine Fisheries Commission~~ Division of Marine Fisheries of the
 20 Department of Environmental Quality.

21 (c) Subject to the limitations set out in subsection (d) of this section, the ~~Marine~~
 22 ~~Fisheries Commission~~ Division of Marine Fisheries of the Department of Environmental
 23 Quality may authorize the disbursement of endowment investment income only to manage,
 24 protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State.
 25 The ~~Marine Fisheries Commission~~ Division of Marine Fisheries may not authorize the
 26 disbursement of endowment investment income to establish positions without specific
 27 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~
 28 ~~for the disbursement of funds from the Endowment Fund shall be made by and through the~~
 29 ~~Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Endowment
 30 Fund, the ~~Marine Fisheries Commission~~ Division of Marine Fisheries shall consult with the
 31 Wildlife Resources Commission about ~~these proposals~~ funding requests.

32"

34 DMF ARTIFICIAL REEFS PROGRAM FUNDING CLARIFICATION

35 **SECTION 13.16.** G.S. 113-175.1 is amended by adding a new subsection to read:

36 "(d) To enhance fishing opportunities, the Marine Resources Fund may be used to
 37 construct artificial reefs in the estuarine and ocean waters of the State and federal waters up to
 38 20 nautical miles from land."

40 MARINE FISHERIES COMMISSION AMENDMENTS

41 **SECTION 13.17.(a)** G.S. 143B-289.52 reads as rewritten:

42 "**§ 143B-289.52. Marine Fisheries Commission – powers and duties.**

43 ...

44 (e1) A supermajority of the Commission shall be ~~six~~ five members. A supermajority
 45 shall be necessary ~~to override recommendations from the Division of Marine Fisheries~~
 46 ~~regarding measures needed to end overfishing or to rebuild overfished stocks for any action~~
 47 ~~taken under the powers and duties set forth in this section, including rule making and the~~
 48 regulation of fisheries under a fishery management plan.

49"

50 **SECTION 13.17.(b)** G.S. 143B-289.54 reads as rewritten:

1 "§ 143B-289.54. Marine Fisheries Commission – members; appointment; term; oath;
2 ethical standards; removal; compensation; staff.

3 (a) Members, Selection. – The Marine Fisheries Commission shall consist of ~~nine~~seven
4 members appointed by the Governor as follows:

5 (1) One person actively engaged in, or recently retired from, commercial fishing
6 as demonstrated by currently or recently deriving at least fifty percent (50%)
7 of annual earned income from taking and selling fishery resources in coastal
8 fishing waters of the State. The spouse of a commercial fisherman who
9 meets the criteria of this subdivision may be appointed under this
10 subdivision.

11 (2) One person actively engaged in, or recently retired from, commercial fishing
12 as demonstrated by currently or recently deriving at least fifty percent (50%)
13 of annual earned income from taking and selling fishery resources in coastal
14 fishing waters of the State. The spouse of a commercial fisherman who
15 meets the criteria of this subdivision may be appointed under this
16 subdivision.

17 (3) One person actively connected with, and experienced as, a licensed fish
18 dealer or in seafood processing or distribution as demonstrated by deriving
19 at least fifty percent (50%) of annual earned income from activities
20 involving the buying, selling, processing, or distribution of seafood landed in
21 this State. The spouse of a person qualified under this subdivision may be
22 appointed provided that the spouse is actively involved in the qualifying
23 business.

24 (4) One person actively engaged in recreational sports fishing in coastal waters
25 in this State. An appointee under this subdivision may not derive more than
26 ten percent (10%) of annual earned income from sports fishing activities.

27 (5) One person actively engaged in recreational sports fishing in coastal waters
28 in this State. An appointee under this subdivision may not derive more than
29 ten percent (10%) of annual earned income from sports fishing activities.

30 (6) One person actively engaged in the sports fishing industry as demonstrated
31 by deriving at least fifty percent (50%) of annual earned income from selling
32 goods or services in this State. The spouse of a person qualified under this
33 subdivision may be appointed provided that the spouse is actively involved
34 in the qualifying business.

35 ~~(7) One person having general knowledge of and experience related to subjects
36 and persons regulated by the Commission.~~

37 ~~(8) One person having general knowledge of and experience related to subjects
38 and persons regulated by the Commission.~~

39 (9) One person who is a fisheries scientist having special training and expertise
40 in marine and estuarine fisheries biology, ecology, population dynamics,
41 water quality, habitat protection, or similar knowledge. A person appointed
42 under this subdivision may not receive more than ten percent (10%) of
43 annual earned income from either the commercial or sports fishing
44 industries, including the processing and distribution of seafood.

45 (b) Residential Qualifications. – For purposes of providing regional representation on
46 the Commission, the following three coastal regions of the State are designated: (i) Northeast
47 Coastal Region comprised of Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax,
48 Hertford, Martin, Northampton, Pasquotank, Perquimans, Tyrrell, and Washington Counties,
49 (ii) Central Coastal Region comprised of Beaufort, Carteret, Craven, Hyde, Jones, and Pamlico
50 Counties; and (iii) Southeast Coastal Region comprised of Bladen, Brunswick, Columbus, New
51 Hanover, Onslow, and Pender Counties. Persons appointed under subdivisions (1), (2), (3), (4),

1 ~~and (8)~~ and (4) of subsection (a) of this section shall be residents of one of the coastal regions of
2 the State. The membership of the Commission shall include at least one person who is a
3 resident of each of the three coastal regions of the State.

4 (c) Additional Considerations. – In making appointments to the Commission, the
5 Governor shall provide for appropriate representation of women and minorities on the
6 Commission.

7 (d) Terms. – The term of office of members of the Commission is three years. A
8 member may be reappointed to any number of successive three-year terms. Upon the expiration
9 of a three-year term, a member shall continue to serve until a successor is appointed and duly
10 qualified as provided by G.S. 128-7. The term of members appointed under subdivisions ~~(4)~~,
11 ~~(4)~~, and ~~(7)~~ (1) and (4) of subsection (a) of this section shall expire on 30 June of years evenly
12 divisible by three. The term of members appointed under subdivisions ~~(2)~~, ~~(5)~~, and ~~(8)~~ (2) and
13 (5) of subsection (a) of this section shall expire on 30 June of years that precede by one year
14 those years that are evenly divisible by three. The term of members appointed under
15 subdivisions (3), (6), and (9) of subsection (a) of this section shall expire on 30 June of years
16 that follow by one year those years that are evenly divisible by three.

17"

18 **SECTION 13.17.(c)** G.S. 113-182.1(e1) reads as rewritten:

19 "(e1) If the Secretary determines that it is in the interest of the long-term viability of a
20 fishery, the Secretary may authorize the Commission to develop expedited temporary
21 management measures to supplement an existing Fishery Management Plan pursuant to this
22 subsection. Management measures considered in a supplement shall be strictly limited to those
23 management strategies contained in the original fishery management plan or subsequent
24 amendments to the plan adopted by the Marine Fisheries Commission and shall not include
25 management measures that either (i) were not originally developed in accordance with this
26 section or (ii) result in severe curtailment of the usefulness or value of equipment as provided
27 by G.S. 113-221(d). Development of temporary management measures pursuant to this
28 subsection is exempt from subsections (c), (c1), and (e) of this section and the Priority List,
29 Schedule, and guidance criteria established by the Marine Fisheries Commission under
30 G.S. 143B-289.52. During the next review period for a Fishery Management Plan
31 supplemented pursuant to this subsection, the Commission shall either incorporate the
32 temporary management measures into the revised Fishery Management Plan or the temporary
33 management measures shall expire on the date the revised Fishery Management Plan is
34 adopted."

35 36 **SUBPART XIII-A. WILDLIFE RESOURCES COMMISSION**

37 38 **MATTAMUSKEET LODGE REPAIRS**

39 **SECTION 13A.1.** From funds available to it, the Wildlife Resources Commission
40 shall repair the roof and stabilize the tower at the Mattamuskeet Lodge in Hyde County. The
41 Commission shall complete the repairs required by this section no later than June 30, 2018.

42 43 **PART XIV. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES**

44 45 **VARIOUS NER AGENCY REPORT CHANGES**

46 47 **DEPARTMENT OF ENVIRONMENTAL QUALITY REPORT CHANGES**

48 **SECTION 14.1.(a)** The following statutes are amended by deleting the language
49 "Joint Legislative Commission on Governmental Operations" wherever it appears and
50 substituting "Joint Legislative Oversight Committee on Agriculture and Natural and Economic
51 Resources": G.S. 130A-310.76 and G.S. 143-58.5.

1 **SECTION 14.1.(b)** G.S. 77-96(c) reads as rewritten:

2 "(c) The accounts and records of the Commission showing the receipt and disbursement
3 of funds from whatever source derived shall be in the form that the North Carolina Auditor and
4 the Virginia Auditor of Public Accounts prescribe, provided that the accounts shall correspond
5 as nearly as possible to the accounts and records for such matters maintained by similar
6 enterprises. The accounts and records of the Commission shall be subject to an annual audit by
7 the North Carolina Auditor and the Virginia Auditor of Public Accounts or their legal
8 representatives, and the costs of the audit services shall be borne by the Commission. The
9 results of the audits shall be delivered by March 1 of each year to the ~~Joint Legislative~~
10 ~~Commission on Governmental Operations~~ Joint Legislative Oversight Committee on
11 Agriculture and Natural and Economic Resources and the Fiscal Research Division of the
12 General Assembly of North Carolina and as provided by the Commonwealth of Virginia."

13 **SECTION 14.1.(c)** G.S. 77-115(b) reads as rewritten:

14 "(b) The accounts and records of each commission showing the receipt and disbursement
15 of funds from whatever source derived shall be in the form that the Auditor of North Carolina
16 and the State Auditor of South Carolina prescribe. The accounts and records of each
17 commission shall be subject to an annual audit by the Auditor of North Carolina and the State
18 Auditor of South Carolina or their legal representatives. The cost of the annual audits shall be
19 borne by each commission. The results of the audits shall be delivered by March 1 of each year
20 to the ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative Oversight
21 Committee on Agriculture and Natural and Economic Resources and the Fiscal Research
22 Division of the General Assembly of North Carolina and to the General Assembly of South
23 Carolina as the General Assembly of South Carolina shall provide."

24 **SECTION 14.1.(d)** G.S. 113-182.1(e) reads as rewritten:

25 "(e) The Secretary of Environmental Quality shall monitor progress in the development
26 and adoption of Fishery Management Plans in relation to the Schedule for development and
27 adoption of the plans established by the Marine Fisheries Commission. The Secretary of
28 Environmental Quality shall report to the ~~Joint Legislative Commission on Governmental~~
29 ~~Operations~~ Joint Legislative Oversight Committee on Agriculture and Natural and Economic
30 Resources and the Fiscal Research Division within 30 days of the completion or substantial
31 revision of each proposed Fishery Management Plan. The ~~Joint Legislative Commission on~~
32 ~~Governmental Operations~~ Joint Legislative Oversight Committee on Agriculture and Natural
33 and Economic Resources shall review each proposed Fishery Management Plan within 30 days
34 of the date the proposed Plan is submitted by the Secretary. The ~~Joint Legislative Commission~~
35 ~~on Governmental Operations~~ Joint Legislative Oversight Committee on Agriculture and
36 Natural and Economic Resources may submit comments and recommendations on the proposed
37 Plan to the Secretary within 30 days of the date the proposed Plan is submitted by the
38 Secretary."

39 **SECTION 14.1.(e)** G.S. 136-28.8(g) reads as rewritten:

40 "(g) On or before October 1 of each year, the Department shall report to the Division of
41 Environmental Assistance and Outreach of the Department of Environmental Quality as to the
42 amounts and types of recycled materials that were specified or used in contracts that were
43 entered into during the previous fiscal year. On or before January 15 of each year, the Division
44 of Environmental Assistance and Outreach shall prepare a summary of this report and submit
45 the summary to the ~~Joint Legislative Commission on Governmental Operations~~ Joint
46 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, ~~and the~~
47 ~~Joint Legislative Transportation Oversight Committee~~ Committee, and the Fiscal Research
48 Division. The summary of this report shall also be included in the report required by
49 G.S. 130A-309.06(c)."

50 **SECTION 14.1.(f)** G.S. 143-64.12(j) reads as rewritten:

1 "(j) The State Energy Office shall submit a report by December 1 of every
2 odd-numbered year to the Joint Legislative Energy Policy ~~Commission~~Commission, the Joint
3 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the
4 Fiscal Research Division describing the comprehensive program to manage energy, water, and
5 other utility use for State agencies and State institutions of higher learning required by
6 subsection (a) of this section. The report shall also contain the following:

7"

8 **SECTION 14.1.(g)** G.S. 143-64.17H reads as rewritten:

9 "**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State**
10 **governmental units.**

11 A State governmental unit that enters into a guaranteed energy savings contract or
12 implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i)
13 the contract and the terms of the contract or (ii) the implementation of the measure to the State
14 Energy Office of the Department of Environmental Quality within 30 days of the date the
15 contract is entered into or the measure is implemented. In addition, within 60 days after each
16 annual anniversary date of a guaranteed energy savings contract, the State governmental unit
17 must report the status of the contract to the State Energy Office, including any details required
18 by the State Energy Office. The State Energy Office shall compile the information for each
19 fiscal year and report it to the ~~Joint Legislative Commission on Governmental Operations~~Joint
20 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
21 Fiscal Research Division, and ~~to~~ the Local Government Commission annually by December 1.
22 In compiling the information, the State Energy Office shall include information on the energy
23 savings expected to be realized from a contract or implementation and shall evaluate whether
24 expected savings have in fact been realized."

25 **SECTION 14.1.(h)** G.S. 143-214.13(a) reads as rewritten:

26 "(a) The Department of Environmental Quality shall report each year by November 1 to
27 the Environmental Review ~~Commission~~ and ~~to the Joint Legislative Commission on~~
28 ~~Governmental Operations~~Commission, the Joint Legislative Oversight Committee on
29 Agriculture and Natural and Economic Resources, and the Fiscal Research Division regarding
30 its progress in implementing the Division of Mitigation Services and its use of the funds in the
31 Ecosystem Restoration Fund. The report shall document statewide wetlands losses and gains
32 and compensatory mitigation performed under G.S. 143-214.8 through G.S. 143-214.12. The
33 report shall also provide an accounting of receipts and disbursements of the Ecosystem
34 Restoration Fund, an analysis of the per-acre cost of wetlands restoration, and a cost
35 comparison on a per-acre basis between the State's Division of Mitigation Services and private
36 mitigation banks. The Department shall also send a copy of its report to the Fiscal Research
37 Division of the General Assembly."

38 **SECTION 14.1.(i)** G.S. 143-215.3A(c) reads as rewritten:

39 "(c) The Department shall report to the Environmental Review ~~Commission~~
40 Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and
41 Economic Resources, and the Fiscal Research Division on the cost of the State's environmental
42 permitting programs contained within the Department on or before 1 November of each year.
43 The report shall include, but is not limited to, fees set and established under this Article, fees
44 collected under this Article, revenues received from other sources for environmental permitting
45 and compliance programs, changes made in the fee schedule since the last report, anticipated
46 revenues from all other sources, interest earned and any other information requested by the
47 General Assembly."

48 **SECTION 14.1.(j)** G.S. 143-215.9A(a) reads as rewritten:

49 "(a) The Department shall report to the Environmental Review ~~Commission~~
50 Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and
51 Economic Resources, and the Fiscal Research Division on or before 1 October of each year on

1 the status of facilities discharging into surface waters during the previous fiscal year. The report
2 shall include:

3 ...

- 4 (4) Any other information that the Department determines to be appropriate or
5 that is requested by the Environmental Review ~~Commission~~ Commission,
6 the Joint Legislative Oversight Committee on Agriculture and Natural and
7 Economic Resources, or the Fiscal Research Division."

8 **SECTION 14.1.(k)** G.S. 143-215.10M(a) reads as rewritten:

9 "(a) The Department shall report to the Environmental Review ~~Commission~~
10 Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and
11 Economic Resources, and the Fiscal Research Division on or before 1 October of each year as
12 required by this section. Each report shall include:

13 ...

- 14 (10) Any other information that the Department determines to be appropriate or
15 that is requested by the Environmental Review ~~Commission~~ Commission,
16 the Joint Legislative Oversight Committee on Agriculture and Natural and
17 Economic Resources, or the Fiscal Research Division."

18 **SECTION 14.1.(l)** G.S. 143-215.94M(a) reads as rewritten:

19 "(a) The Secretary shall present an annual report to the Environmental Review
20 Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and
21 Economic Resources, the Fiscal Research Division, the chairs of the Senate Appropriations
22 ~~Subcommittee~~ Committee on Natural Agriculture, Natural, and Economic Resources, and the
23 ~~chairs of the House of Representatives Appropriations Subcommittee~~ Committee on
24 Agriculture and Natural and Economic Resources ~~which~~ that shall include at least the
25 following:

26"

27 **SECTION 14.1.(m)** G.S. 143B-279.8(e) reads as rewritten:

28 "(e) The Coastal Resources Commission, the Environmental Management Commission,
29 and the Marine Fisheries Commission shall report to the ~~Joint Legislative Commission on~~
30 ~~Governmental Operations~~ Joint Legislative Oversight Committee on Agriculture and Natural
31 and Economic Resources, the Fiscal Research Division, and the Environmental Review
32 Commission on progress in developing and implementing the Coastal Habitat Protection Plans,
33 including the extent to which the actions of the three commissions are consistent with the Plans,
34 on or before 1 September of each year."

35 **SECTION 14.1.(n)** G.S. 143B-279.17 reads as rewritten:

36 **"§ 143B-279.17. Tracking and report on permit processing times.**

37 The Department of Environmental Quality shall track the time required to process all
38 permit applications in the One-Stop for Certain Environmental Permits Programs established
39 by G.S. 143B-279.12 and the Express Permit and Certification Reviews established by
40 G.S. 143B-279.13 that are received by the Department. The processing time tracked shall
41 include (i) the total processing time from when an initial permit application is received to
42 issuance or denial of the permit and (ii) the processing time from when a complete permit
43 application is received to issuance or denial of the permit. No later than March 1 of each year,
44 the Department shall report to the Joint Legislative Oversight Committee on Agriculture and
45 Natural and Economic Resources, the Fiscal Research Division of the General Assembly
46 Assembly, and the Environmental Review Commission on the permit processing times required
47 to be tracked pursuant to this section."

49 DEPARTMENT OF COMMERCE REPORT CHANGES

50 **SECTION 14.1.(o)** The following statutes are amended by deleting the language
51 "General Assembly" or "legislature" wherever either appears and substituting "Joint Legislative

1 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
2 Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the
3 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
4 and Economic Resources": G.S. 18C-115(a), 62-17(a1), 62-110.1, and 94-2.

5 **SECTION 14.1.(p)** The following statutes are amended by deleting the language
6 "Joint Legislative Commission on Governmental Operations" wherever it appears and
7 substituting "Joint Legislative Oversight Committee on Agriculture and Natural and Economic
8 Resources, the Senate Appropriations Committee on Agriculture, Natural, and Economic
9 Resources, and the chairs of the House of Representatives Appropriations Committee on
10 Agriculture and Natural and Economic Resources": G.S. 62-15(h), 62-133.8(j), 62-133.9(i),
11 97-78(e), and 113-315.36.

12 **SECTION 14.1.(q)** The following statutes are amended by deleting the language
13 "General Assembly" wherever it appears and substituting "the chairs of the Senate
14 Appropriations Committee on Agriculture, Natural, and Economic Resources, the chairs of the
15 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
16 Resources, and the Joint Legislative Economic Development and Global Engagement
17 Oversight Committee": G.S. 96-35, 143B-434.01(l), 143B-434.2(d), 143B-438.10(a)(7a),
18 143B-438.10(a)(8), and 143B-438.14(d).

19 **SECTION 14.1.(r)** The following statutes are amended by deleting the language
20 "Joint Legislative Commission on Governmental Operations" wherever it appears and
21 substituting "the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
22 Economic Resources, and the chairs of the House of Representatives Appropriations
23 Committee on Agriculture and Natural and Economic Resources": G.S. 143B-431.01(d)(1) and
24 G.S. 143B-431.01(f).

25 **SECTION 14.1.(s)** The following statutes are amended by deleting the language
26 "Joint Legislative Commission on Governmental Operations" wherever it appears and
27 substituting "the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
28 Economic Resources, the chairs of the House of Representatives Appropriations Committee on
29 Agriculture and Natural and Economic Resources, and the Joint Legislative Economic
30 Development and Global Engagement Oversight Committee": G.S. 143B-435.1(d),
31 143B-437.02(k), 143B-437.012(m), 143B-472.35(l), and 143B-1285(3).

32 **SECTION 14.1.(t)** The following statutes are amended by deleting the language
33 "Joint Legislative Commission on Governmental Operations" and "General Assembly"
34 wherever either appears and substituting "Joint Legislative Economic Development and Global
35 Engagement Oversight Committee": G.S. 143B-437.07(b) and G.S. 143B-437.08(k).

36 **SECTION 14.1.(u)** The following Session Laws are amended by deleting the
37 language "Joint Legislative Commission on Governmental Operations" wherever it appears and
38 substituting "the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
39 Economic Resources, the chairs of the House of Representatives Appropriations Committee on
40 Agriculture and Natural and Economic Resources, and the Joint Legislative Economic
41 Development and Global Engagement Oversight Committee": Section 14.1(e) of S.L. 2011-145
42 and Section 14.1(f) of S.L. 2011-145.

43 **SECTION 14.1.(v)** G.S. 62-133.5(k) reads as rewritten:

44 "**§ 62-133.5. Alternative regulation, tariffing, and deregulation of telecommunications**
45 **utilities.**

46 ...

47 (k) To evaluate the affordability and quality of local exchange service provided to
48 consumers in this State, a local exchange company or competing local provider offering basic
49 local residential exchange service that elects to have its rates, terms, and conditions for its
50 services determined pursuant to the plans described in subsection (h) or (m) of this section shall
51 make an annual report to the Joint Legislative Oversight Committee on Agriculture and Natural

1 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
 2 Natural, and Economic Resources, and the chairs of the House of Representatives
 3 Appropriations Committee on Agriculture and Natural and Economic Resources ~~General~~
 4 ~~Assembly~~ on the state of its company's operations. The report shall be due 30 days after the
 5 close of each calendar year and shall cover the period from January 1 through December 31 of
 6 the preceding year. The Joint Legislative ~~Commission on Governmental Operations~~ Oversight
 7 Committee on Agriculture and Natural and Economic Resources must review the annual
 8 reports and decide whether to recommend that the General Assembly take corrective action in
 9 response to those reports. The report shall include the following:

10"

11 **SECTION 14.1.(w)** G.S. 96-40 reads as rewritten:

12 **"§ 96-40. Unemployment insurance program integrity; reporting.**

13 ...

14 (c) Quarterly Reporting. – Beginning October 1, 2015, and then quarterly thereafter, the
 15 Division shall make detailed written progress reports on its efforts to carry out all of the
 16 directives in this section to the chairs of the Joint Legislative Oversight Committee on
 17 Unemployment Insurance, the chairs of the Joint Legislative Oversight Committee on
 18 Information Technology, the chairs of the House Appropriations ~~Subcommittee~~ Committee on
 19 Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations
 20 Committee on ~~Natural Agriculture~~, Natural, and Economic Resources, and the Fiscal Research
 21 Division. At a minimum, the quarterly report shall include all of the following:

22 ...

23 (d) Annual Reporting. – Beginning January 1, 2016, the Division shall make an annual
 24 report to the chairs of the Joint Legislative Oversight Committee on Unemployment Insurance,
 25 the chairs of the Joint Legislative Oversight Committee on Information Technology, the chairs
 26 of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, the
 27 chairs of the House Appropriations Committee on Agriculture and Natural and Economic
 28 Resources, and the Fiscal Research ~~Division~~ General Assembly on its efforts to carry out all of
 29 the directives in this section. At a minimum, each annual report shall include all of the
 30 following information:

31"

32 **SECTION 14.1.(x)** G.S. 136-18.01 reads as rewritten:

33 **"§ 136-18.01. Consultation required for welcome and visitor centers.**

34 The Department of Commerce and the Department of Transportation shall consult with the
 35 chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic
 36 Resources and the chairs of the House of Representatives Appropriations Committee on
 37 Agriculture and Natural and Economic Resources ~~Joint Legislative Commission on~~
 38 ~~Governmental Operations~~ and the House and Senate Appropriations ~~Subcommittees on Natural~~
 39 ~~and Economic Resources~~ before beginning the design or construction of any new welcome
 40 center or visitor center buildings."

41 **SECTION 14.1.(y)** G.S. 143B-421.3 reads as rewritten:

42 **"§ 143B-421.3. Consultation required for welcome and visitor centers.**

43 The Department of Commerce and the Department of Transportation shall consult with the
 44 chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic
 45 Resources and the chairs of the House of Representatives Appropriations Committee on
 46 Agriculture and Natural and Economic Resources ~~Joint Legislative Commission on~~
 47 ~~Governmental Operations~~ and the House and Senate Appropriations ~~Subcommittees on Natural~~
 48 ~~and Economic Resources~~ before beginning the design or construction of any new welcome
 49 center or visitor center buildings."

50 **SECTION 14.1.(z)** G.S. 143B-434.01(l) reads as rewritten:

51 **"§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

1 ...
2 (l) Accountability. – The Secretary shall make all data, plans, and reports available to
3 ~~the General Assembly, the Joint Legislative Commission on Governmental Operations, the~~
4 Joint Legislative Economic Development and Global Engagement Oversight Committee, the
5 chairs of the Senate Appropriations Committee on ~~Natural~~ Agriculture, Natural, and Economic
6 Resources, and the chairs of the House of Representatives Appropriations Subcommittee
7 Committee on Agriculture and Natural and Economic Resources at appropriate times and upon
8 request. The Secretary shall prepare and make available on an annual basis public reports on
9 each of the major sections of the Plan and the Annual Report indicating the degree of success in
10 attaining each development objective."

11 **SECTION 14.1.(aa)** G.S. 143B-437.8(1) and G.S. 143B-437.83(1) are repealed.

12 **SECTION 14.1.(bb)** G.S. 143B-437.74(a) reads as rewritten:

13 **"§ 143B-437.74. Reports; study.**

14 (a) Reports. – The Department of Commerce shall publish a report on the use of funds
15 in the One North Carolina Fund at the end of each fiscal quarter. The report shall contain
16 information on the commitment, disbursement, and use of funds allocated under the One North
17 Carolina Fund. The report is due no later than one month after the end of the fiscal quarter and
18 must be submitted to the following:

19 (1) The chairs of the Senate Appropriations Committee on Agriculture, Natural,
20 and Economic Resources.~~Joint Legislative Commission on Governmental~~
21 ~~Operations.~~

22 (1a) The House of Representatives Appropriations Committee on Agriculture and
23 Natural and Economic Resources.

24 ...

25 (5) The Joint Legislative Economic Development and Global Engagement
26 Oversight Committee."

27 **SECTION 14.1.(cc)** G.S. 159B-30.1 reads as rewritten:

28 **"§ 159B-30.1. Additional reports.**

29 Beginning March 1, 1996, and annually thereafter, each joint agency operating under the
30 authority of Chapter 159B of the General Statutes shall file a report with the chairs of the
31 Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, the chairs
32 of the House of Representatives Appropriations Committee on Agriculture and Natural and
33 Economic Resources, and the Joint Legislative Oversight Committee on Agriculture and
34 Natural and Economic Resources ~~Joint Legislative Commission on Governmental Operations~~
35 describing the activities of the joint agency carried out pursuant to the authority granted by
36 G.S. 159B-2, 159B-11(19b), 159B-12 and 159B-17(c). The report shall cover the preceding
37 calendar year. Each joint agency shall file such additional reports as the ~~Joint Legislative~~
38 ~~Commission on Governmental Operations~~ committees shall request."

39 **SECTION 14.1.(dd)** Section 2 of S.L. 2007-227 reads as rewritten:

40 **"SECTION 2.** The Utilities Commission shall report to the Joint Legislative ~~Utility~~
41 ~~Review~~ Oversight Committee on Agriculture and Natural and Economic Resources, the chairs
42 of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and
43 the chairs of the House of Representatives Appropriations Committee on Agriculture and
44 Natural and Economic Resources on the orders issued pursuant to G.S. 62-133.7 and the results
45 obtained under those orders, as well as results obtained from the customer usage tracking
46 component of the Commission's order issued in Docket G-9, Sub 499. The first report shall be
47 delivered not later than July 1, 2008, and cover the period beginning with the effective date of
48 this act and ending June 1, 2008. Thereafter, the Commission shall report as required by the
49 ~~Committee-committees.~~"

50 **SECTION 14.1.(ee)** Section 15.18(e) of S.L. 2015-241 reads as rewritten:

1 "SECTION 15.18.(e) Each museum listed in subsection (a) of this section shall do the
2 following:

- 3 (1) By September 1, 2016, and more frequently as requested, report to the Joint
4 Legislative Oversight Committee on Agriculture and Natural and Economic
5 Resources, the chairs of the Senate Appropriations Committee on
6 Agriculture, Natural, and Economic Resources, the chairs of the House of
7 Representatives Appropriations Committee on Agriculture and Natural and
8 Economic Resources, ~~Joint Legislative Commission on Governmental~~
9 ~~Operations~~ and the Fiscal Research Division on prior State fiscal year
10 program activities, objectives, and accomplishments and prior State fiscal
11 year itemized expenditures and fund sources.
- 12 (2) Provide to the Joint Legislative Oversight Committee on Agriculture and
13 Natural and Economic Resources, the chairs of the Senate Appropriations
14 Committee on Agriculture, Natural, and Economic Resources, the chairs of
15 the House of Representatives Appropriations Committee on Agriculture and
16 Natural and Economic Resources, and the Fiscal Research Division a copy
17 of the museum's annual audited financial statement within 30 days of
18 issuance of the statement."

19 **SECTION 14.1.(ff)** Section 29.18 of S.L. 2015-241 reads as rewritten:

20 "**SECTION 29.18.** Report. – By January 15, 2016, the Utilities Commission shall submit a
21 report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
22 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
23 Economic Resources, the chairs of the House of Representatives Appropriations Committee on
24 Agriculture and Natural and Economic Resources, ~~Joint Legislative Commission on~~
25 ~~Governmental Operations~~, the Joint Legislative Transportation Oversight Committee, and the
26 Environmental Review Commission on the incremental cost incentives related to coal
27 combustion residuals surface impoundments for investor-owned public utilities. The report
28 shall include all of the following:

29"

30 **DEPARTMENT OF NATURAL AND CULTURAL RESOURCES REPORT CHANGES**

31 **SECTION 14.1.(gg)** The following statutes are amended by deleting the language
32 "Joint Legislative Commission on Governmental Operations" wherever it appears and
33 substituting "Joint Legislative Oversight Committee on Agriculture and Natural and Economic
34 Resources and the Fiscal Research Division": G.S. 121-7.3, 121-9, 143B-71, 143B-73, and
35 146-26.

36 **SECTION 14.1.(hh)** The following statutes are amended by deleting the language
37 "Joint Legislative Commission on Governmental Operations" wherever it appears and
38 substituting "Joint Legislative Oversight Committee on Agriculture and Natural and Economic
39 Resources": G.S. 121-7.7, 121-21.1, 143B-53.3, 143B-87.2, and 143B-135.244.

40 **SECTION 14.1.(ii)** G.S. 121-12.1 reads as rewritten:

41 **"§ 121-12.1. Grants-in-aid.**

42 Under the concepts of reorganization of State government, responsibility for administering
43 appropriations to the Department of Natural and Cultural Resources for grants-in-aid to private
44 nonprofit organizations in the areas of history, art, and culture is ~~hereby~~ assigned to the
45 Department of Natural and Cultural Resources. ~~It shall be the responsibility of the~~ By February
46 15 of each year, the Department of Natural and Cultural Resources ~~to shall~~ receive, analyze,
47 and recommend to the ~~Governor and the General Assembly~~ Governor, the Joint Legislative
48 Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal
49 Research Division the disposition of any request for funding received by it from or for any of
50 these ~~organizations, and to~~ organizations. The Department shall disburse under provisions of
51

1 law any appropriations made to the Department for them. Appropriations to the Department of
2 Natural and Cultural Resources for grants-in-aid to assist in the restoration of historic sites
3 owned by private nonprofit organizations shall ~~in addition~~ be expended only in accordance with
4 G.S. 121-11, 121-12 and 143B-53.1."

5 **SECTION 14.1.(jj)** G.S. 125-2 reads as rewritten:

6 "**§ 125-2. Powers and duties of Department of Natural and Cultural Resources.**

7 The Department of Natural and Cultural Resources shall have the following powers and
8 duties:

9 ...

- 10 (2) To make to the ~~Governor~~ Governor, the Joint Legislative Oversight
11 Committee on Agriculture and Natural and Economic Resources, the chairs
12 of the Senate Appropriations Committee on Agriculture, Natural, and
13 Economic Resources, the chairs of the House of Representatives
14 Appropriations Committee on Agriculture and Natural and Economics
15 Resources, and the Fiscal Research Division a biennial report of its activities
16 and needs, including recommendations for improving its services to the
17 State, ~~to be transmitted by the Governor to the General Assembly by~~
18 February 15 of each odd-numbered year.

19"

20 **SECTION 14.1.(kk)** G.S. 140-5.14 reads as rewritten:

21 "**§ 140-5.14. Board of Trustees – powers and duties.**

22 The Board of Trustees ~~shall be~~ is the governing body of the North Carolina Museum of Art
23 and ~~shall have~~ has the following powers and duties:

24 ...

- 25 (10) To make a biennial report by February 15 of each odd-numbered year to the
26 ~~Governor and the General Assembly~~ Governor, Joint Legislative Oversight
27 Committee on Agriculture and Natural and Economic Resources, and the
28 Fiscal Research Division on the activities of the Board of Trustees and of the
29 North Carolina Museum of Art;

30"

31 **SECTION 14.1.(ll)** G.S. 143-406 reads as rewritten:

32 "**§ 143-406. Duties of Department of Natural and Cultural Resources.**

33 The Department of Natural and Cultural Resources shall take action to carry out the
34 following purposes as funds and staff permit:

35 ...

36 ~~The~~ By February 15 of each odd-numbered year, the Department of Natural and Cultural
37 Resources shall, in addition to such other recommendations, studies and plans as it may submit
38 from time to time, submit a biennial report of progress to the Governor, ~~and thus, to the General~~
39 ~~Assembly~~ the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
40 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
41 Economic Resources, the chairs of the House of Representatives Appropriations Committee on
42 Agriculture and Natural and Economic Resources, and the Fiscal Research Division."

43 **SECTION 14.1.(mm)** G.S. 143B-131.4 reads as rewritten:

44 "**§ 143B-131.4. Commission reports.**

45 The Commission shall submit a ~~quarterly~~ semiannual report by January 15 and July 15 of
46 each year to the Chairs of the House of Representatives Appropriations Committee on
47 Agriculture and Natural and Economic Resources, the Chairs of the Senate Appropriations
48 Committee on ~~Natural~~ Agriculture, Natural, and Economic Resources, the Joint Legislative
49 Oversight Committee on Agriculture and Natural and Economic Resources, and to the Fiscal
50 Research Division of the General Assembly. The report shall include:

- 1 (1) A summary of actions taken by the Commission consistent with the powers
2 and duties of the Commission set forth in G.S. 143B-131.2.
- 3 (2) Recommendations for legislation and administrative action to promote and
4 develop the Elizabeth II State Historic Site and Visitor Center.
- 5 (3) An accounting of funds received and expended."

6 **SECTION 14.1.(nn)** G.S. 143B-135.102(c) reads as rewritten:

7 "(c) The Secretary, with advice of the Committee, shall study trail needs and potentials,
8 and make additions to the State Trails System as needed. ~~He~~The Secretary shall submit an
9 annual report by October 1 of each year to the ~~Governor and General Assembly~~ Governor, the
10 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources,
11 and the Fiscal Research Division on trail activities by the Department, including rights-of-way
12 that have been established and on the program for implementing this Part. Each report shall
13 include a short statement on the significance of the various trails to the System. The Secretary
14 shall make such rules as to trail development, management, and use that are necessary for the
15 proper implementation of this Part."

16 **SECTION 14.1.(oo)** G.S. 143B-135.156 reads as rewritten:

17 "**§ 143B-135.156. Administrative agency; federal grants; additions to the system;**
18 **regulations.**

19 (a) The Department is the agency of the State of North Carolina with the duties and
20 responsibilities to administer and control the North Carolina natural and scenic rivers system.

21 (b) The Department ~~shall be~~is the agency of the State with the authority to accept
22 federal grants of assistance in planning, developing (which would include the acquisition of
23 land or an interest in land), and administering the natural and scenic rivers system.

24 (c) The Secretary of the Department shall study and from time to time submit to the
25 ~~Governor and to the General Assembly~~ Governor, the Joint Legislative Oversight Committee
26 on Agriculture and Natural and Economic Resources, and the Fiscal Research Division
27 proposals for the additions to the system of rivers and segments of rivers which, in ~~his~~the
28 Secretary's judgment, fall within one or more of the categories set out in G.S. 143B-135.148.
29 Each proposal shall specify the category of the proposed addition and shall be accompanied by
30 a detailed report of the facts which, in the Secretary's judgment, makes the area a worthy
31 addition to the system.

32 (c1) Before submitting any proposal ~~to the Governor or the General Assembly~~ under
33 subsection (c) of this section for the addition to the system of a river or segment of a river, the
34 Secretary or ~~his~~the Secretary's authorized ~~representative,~~ representative shall hold a public
35 hearing in the county or counties where ~~said~~the river or segment of river is situated. Notice of
36 ~~such~~the public hearing shall be given by publishing a notice once each week for two
37 consecutive weeks in a newspaper having general circulation in the county where ~~said~~the
38 hearing is to be held, the second of ~~said~~the notices appearing not less than 10 days before ~~said~~
39 the hearing. Any person attending ~~said~~the hearing shall be given an opportunity to be heard.
40 ~~Notwithstanding the provisions of the foregoing, no~~ No public hearing ~~hearing, however, shall~~
41 ~~be~~is required with respect to a river bounded solely by the property of one owner, who
42 consents in writing to the addition of ~~such~~the river to the system.

43 (c2) The Department shall also conduct an investigation on the feasibility of the
44 inclusion of a river or a segment of river within the system and shall file a written report with
45 the ~~Governor~~ when submitting a proposal ~~proposal~~ described in subsection (c) of this section.

46 (c3) The ~~Department shall also,~~ Department, before submitting ~~such a proposal to the~~
47 Governor or the General Assembly, ~~proposal~~ under subsection (c) of this section, shall notify in
48 writing the owner, lessee, or tenant of any lands adjoining ~~said~~the river or segment of river of
49 its intention to make ~~such~~the proposal. In the event the Department, after due diligence, is
50 unable to determine the owner or lessee of ~~any such~~the land, the Department may publish a
51 notice for four successive weeks in a newspaper having general circulation in the county where

1 the land is situated of its intention to make a proposal ~~to the Governor or General Assembly~~ for
2 the addition of a river or segment of river to the system.

3 (d) Upon receipt of a request in the form of a resolution from the commissioners of the
4 county or counties in which a river segment is located and upon studying the segment and
5 determining that it meets the criteria set forth in G.S. 143B-135.150, the Secretary may
6 designate the segment a potential component of the natural and scenic rivers system. The
7 designation as a potential component shall be transmitted to the Governor and all appropriate
8 State agencies. Any segment so designated is subject to the provisions of this Part applicable to
9 designated rivers, except for acquisition by condemnation or otherwise, and to any rules
10 adopted pursuant to this Part. The Secretary shall make a full report and, if appropriate, a
11 proposal for an addition to the natural and scenic rivers system to the ~~General Assembly~~ Joint
12 Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the
13 Fiscal Research Division within 90 days after the convening of the next session ~~of the General~~
14 Assembly following issuance of the designation, and the ~~General Assembly~~ Joint Legislative
15 Oversight Committee on Agriculture and Natural and Economic Resources shall determine
16 whether to designate the segment as a component of the natural and scenic rivers system. If the
17 next session of the General Assembly fails to take affirmative action on the designation, the
18 designation as a potential component shall expire.

19 (e) The Department may adopt rules to implement this Part."

20 **SECTION 14.1.(pp)** G.S. 143B-135.221 reads as rewritten:

21 "**§ 143B-135.221. Reports to General Assembly.**

22 The Commission shall prepare and submit a report outlining the needs of the North
23 Carolina State Museum of Natural Sciences and recommendations for improvement of the
24 effectiveness of the North Carolina State Museum of Natural Sciences ~~for the purpose~~
25 ~~hereinabove set forth to the General Assembly, to the Fiscal Research Division of the General~~
26 ~~Assembly, and to the Joint Legislative Commission on Governmental Operations to the Joint~~
27 Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the
28 Fiscal Research Division on or before October 1 of each year."

29 **SECTION 14.1.(qq)** G.S. 143B-135.256 reads as rewritten:

30 "**§ 143B-135.256. Powers and duties of the Secretary.**

31 The Secretary shall:

- 32 ...
- 33 (7) Submit to the ~~Governor and the General Assembly~~ Governor, the Joint
34 Legislative Oversight Committee on Agriculture and Natural and Economic
35 Resources, and the Fiscal Research Division a biennial report on or before
36 February 15 of odd-numbered years describing the activities of the past
37 biennium and plans for the coming biennium, and detailing specific
38 recommendations for action that the Secretary deems necessary for the
39 improvement of the Program."
40

41 DEPARTMENT OF LABOR REPORT CHANGES

42 **SECTION 14.1.(rr)** G.S. 95-25.23C(c) reads as rewritten:

43 "(c) Report. – No later than February 1 of each year, the Commissioner shall submit a
44 written report to the ~~General Assembly, Joint Legislative Oversight Committee on Agriculture~~
45 and Natural and Economic Resources, the Joint Legislative Education Oversight Committee,
46 and the Fiscal Research Division of the General Assembly on the Department of Labor's
47 investigative, inspection, and enforcement activities under the Wage and Hour Act pertaining to
48 youth employment. Each report submitted pursuant to this subsection shall contain data and
49 information about the calendar year preceding the date on which the last written report was
50 submitted. The report shall include at least all of the following:

51"

1 **SECTION 14.1.(ss)** G.S. 95-136.1(d) reads as rewritten:

2 "(d) The Department shall by March 1, 1995, and annually thereafter, report to the ~~Joint~~
3 ~~Legislative Commission on Governmental Operations~~ Joint Legislative Oversight Committee
4 on Agriculture and Natural and Economic Resources and the Fiscal Research Division of the
5 General Assembly on the impact of the special emphasis inspection program on safety and
6 health compliance and enforcement."

7 **SECTION 14.1.(tt)** G.S. 95-227(e) reads as rewritten:

8 "(e) The Commissioner shall report no later than May 1 of each year to the Chairpersons
9 of the Senate Appropriations Committee on Natural and Economic ~~Resources and Resources,~~
10 the Chairpersons of the House of Representatives Appropriations ~~Subcommittee~~ Committee on
11 Agriculture and Natural and Economic Resources, ~~Resources,~~ the Joint Legislative Oversight
12 Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research
13 Division regarding the number of annual preoccupancy certifications issued, the number of
14 operators with one hundred percent (100%) compliance at the preoccupancy inspection, the
15 number of postoccupancy inspections conducted by the Department of Labor of North
16 Carolina, the number and type of citations and fines issued, the total number of migrant worker
17 beds in the State, and the identification of operators who fail to apply for or obtain permits to
18 operate migrant housing pursuant to this Article."

19 **SECTION 14.1.(uu)** G.S. 113-391(e) reads as rewritten:

20 "(e) The Department shall submit an annual report on its activities conducted pursuant to
21 this Article and rules adopted thereunder to the Environmental Review Commission, the Joint
22 Legislative Commission on Energy Policy, the Joint Legislative Oversight Committee on
23 Agriculture and Natural and Economic Resources, the chairs of the Senate and House of
24 ~~Representatives~~ Appropriations Subcommittees Committee on Natural Agriculture, Natural,
25 and Economic Resources, the chairs of the House of Representatives Appropriations
26 Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research
27 Division of the General Assembly on or before October 1 of each year."

28 **TOBACCO TRUST FUND COMMISSION REPORT CHANGE**

29 **SECTION 14.1.(vv)** G.S. 143-722(a) reads as rewritten:

30 "(a) The chair of the Commission shall report each year by November 1 to the ~~Joint~~
31 ~~Legislative Commission on Governmental Operations~~ Joint Legislative Oversight Committee
32 on Agriculture and Natural and Economic Resources, ~~and~~ the chairs of the House and Senate
33 Appropriations Committees Committees, and the Fiscal Research Division regarding the
34 implementation of this Article, including a report on funds disbursed during the fiscal year by
35 amount, purpose, and category of recipient, and other information as requested by the ~~Joint~~
36 ~~Legislative Commission on Governmental Operations~~ Joint Legislative Oversight Committee
37 on Agriculture and Natural and Economic Resources. A written copy of the report shall also be
38 sent to the Legislative Library by November 1 each year."

39 **MILITARY BUFFERS**

40 **SECTION 14.2.** The funds appropriated in this act to the Clean Water
41 Management Trust Fund and the North Carolina Agricultural Development and Farmland
42 Preservation Trust Fund for the purpose of military buffers shall only be expended on land that
43 buffers a military facility from incompatible use encroachment.
44
45
46

47 **CLARIFYING CHANGES TO DEPARTMENT OF NATURAL AND CULTURAL** 48 **RESOURCES FUNDS**

49 **SECTION 14.3.(a)** G.S. 121-5(e) reads as rewritten:

50 "(e) Archives and Records Management Fund. The Archives and Records Management
51 Fund is established as a special revenue fund. The Fund consists of donations, gifts, devises,

1 and the fees credited to it under Chapter 161 of the General Statutes. Revenue in the Fund may
2 be used only to offset the Department's costs in providing essential records management and
3 archival services for public records pursuant to Chapter 121 and Chapter 132 of the General
4 Statutes."

5 **SECTION 14.3.(b)** G.S. 121-7.6(a) reads as rewritten:

6 "(a) Fund Established. – The North Carolina Transportation Museum Fund is created as
7 a special ~~interest-bearing, interest-bearing, nonreverting~~ enterprise fund in the Department of
8 Natural and Cultural Resources. The Fund shall be used to pay all costs associated with the
9 ~~operation~~operation, interpretation, development, expansion, preservation, and maintenance of
10 the North Carolina Transportation Museum."

11 **SECTION 14.3.(c)** G.S. 121-7.7(a) reads as rewritten:

12 "(a) Fund. – The State Historic Sites and Museums Fund is created as a special,
13 interest-bearing revenue fund in the Division of State Historic Sites and the Division of State
14 History Museums. The Fund consists of all receipts derived from the lease or rental of property
15 or facilities, disposition of structures or products of the land, ~~private donations, donations, gifts,~~
16 devises, and admissions and fees collected at the State Historic Sites, State History Museums,
17 and Maritime Museums. The revenues in the Fund may be used only for the operation,
18 interpretation, maintenance, preservation, development, and expansion of the individual State
19 Historic Site, State History Museum, and Maritime Museum where the receipts are generated.
20 The respective Division and the staff from each State Historic Site, State History Museum, and
21 Maritime Museum will determine how the funds will be used at that Historic Site, State History
22 Museum, and Maritime Museum."

23 **SECTION 14.3.(d)** G.S. 143B-53.3(a) reads as rewritten:

24 "(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special,
25 interest-bearing revenue fund within the Department of Natural and Cultural Resources, Office
26 of Archives and History. The Fund shall consist of all receipts derived from ~~private donations,~~
27 grant funds, donations, gifts, devises, and earned revenue. The monies in the Fund may be used
28 only for contracted services, personal services and operations, conference and meeting
29 expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other
30 administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of
31 Archives and History and the Department of Natural and Cultural Resources shall determine
32 how the funds will be used for the purposes of the Queen Anne's Revenge Project, and those
33 funds are hereby appropriated for those purposes."

34 **SECTION 14.3.(e)** G.S. 143B-79(7) reads as rewritten:

35 "(7) The Committee may dispose of property held in the Executive Mansion after
36 consultation with a review committee comprised of one person from the
37 Executive Mansion Fine Arts Committee, appointed by its chairman; one
38 person from the Department of Administration appointed by the Secretary of
39 Administration; and two qualified professionals from the Department of
40 Natural and Cultural Resources, Division of Archives and History, appointed
41 by the Secretary of Natural and Cultural Resources. Upon request of the
42 Executive Mansion Fine Arts Committee, the review committee will view
43 proposed items for disposition and make a recommendation to the North
44 Carolina Historical Commission who will make a final decision. The
45 Historical Commission must consider whether the disposition is in the best
46 interest of the State of North Carolina. If any property is sold, the net
47 proceeds of each sale and any interest earned thereon shall be deposited in
48 the State Treasury to the credit of the Executive Mansion, Special Fund, and
49 shall be used only for the purchase, conservation, ~~restoration~~restoration, or
50 repair of other property for use in the Executive Mansion."

51 **SECTION 14.3.(f)** G.S. 143B-87.2(a) reads as rewritten:

1 "(a) Fund. – The A+ Schools Special Fund is created as a special interest-bearing
2 revenue fund in the Department of Natural and Cultural Resources, North Carolina Arts
3 Council. The Fund shall consist of all receipts derived from ~~private donations, grant funds,~~
4 donations, gifts, devises, and earned revenue. The revenue in the Fund may be used only for
5 contracted services, conference and meeting expenses, travel, staff salaries, and other
6 administrative costs related to the A+ Schools program. The staff of the North Carolina Arts
7 Council and the Department shall determine how the funds will be used for the purposes of the
8 A+ Schools program."

9 **SECTION 14.3.(g)** G.S. 143B-135.56(a) reads as rewritten:

10 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State
11 Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of ~~gifts and grants~~
12 donations, gifts, and devises to the Trust Fund and other monies appropriated to the Trust Fund
13 by the General Assembly."

14 **SECTION 14.3.(h)** G.S. 143B-135.188 reads as rewritten:

15 "**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

16 ...

17 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund.
18 The North Carolina Aquariums Fund shall be used for the following purposes with respect to
19 the aquariums and the pier operated by the Division of North Carolina Aquariums:

20 (1) Repair, renovation, expansion, maintenance, and educational exhibit
21 construction. Funds used for repair, renovation, and expansion projects may
22 be transferred to a capital projects fund to account for use of the funds for
23 each project.

24 ...

25 (c) Disposition of Receipts. – All receipts derived from the collection of admissions
26 charges and other fees and the lease or rental of property or facilities shall be credited to the
27 aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may
28 transfer from the North Carolina aquariums' General Fund operating budget to the North
29 Carolina Aquariums Fund an amount not to exceed the sum of the following:

30 ...

31 (3) Any ~~private donations, donations, gifts, and devises~~ received by the North
32 Carolina aquariums.

33 "

34 **SECTION 14.3.(i)** G.S. 143B-135.209 reads as rewritten:

35 "**§ 143B-135.209. North Carolina Zoo Fund.**

36 (a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North
37 Carolina Zoo Fund shall be used for the following types of projects at the North Carolina
38 Zoological Park and to match private funds raised for these types of projects:

39 (1) Repair, renovation, expansion, maintenance, and educational exhibit
40 construction. Funds used for repair, renovation, and expansion projects may
41 be transferred to a capital projects fund to account for use of the funds for
42 each project.

43 ...

44 (b) Disposition of Receipts. – All receipts derived from the collection of admissions
45 charges and other ~~fees and fees,~~ the lease or rental of property or facilities, and the disposition
46 of products of the land or structures shall be credited to the North Carolina Zoological Park's
47 General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from
48 the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo
49 Fund an amount not to exceed the sum of one million five hundred thousand dollars
50 (\$1,500,000) and any ~~private donations, donations, gifts, and devises~~ received by the North
51 Carolina Zoological Park.

1 "

2 **SECTION 14.3.(j)** G.S. 143B-135.213 is amended by adding a new subsection to
3 read:

4 "(c) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4),
5 or any other law pertaining to surplus State property, the Council may dispose of any exhibit,
6 exhibit component, or object from the collections of the North Carolina Zoological Park by
7 sale, lease, or trade. A sale, lease, or trade under this subsection shall be conducted in
8 accordance with generally accepted practices for zoos and aquariums that are accredited by the
9 American Association of Zoos and Aquariums. After deducting the expenses attributable to the
10 sale or lease, the net proceeds of any sale or lease shall be credited to the North Carolina Zoo
11 Fund."

12 13 **PARKS AND RECREATION TRUST FUND ELIGIBILITY**

14 **SECTION 14.4.** G.S. 143B-135.56(b) reads as rewritten:

15 "(b) Use. – Funds in the Trust Fund are annually appropriated to the North Carolina
16 Parks and Recreation Authority and, unless otherwise specified by the General Assembly or the
17 terms or conditions of a gift or grant, shall be allocated and used as follows:

- 18 (1) Sixty-five percent (65%) for the State Parks System or ~~a State recreational~~
19 ~~forest~~ the DuPont State Recreational Forest for capital projects, repairs and
20 renovations of park facilities, and land acquisition.

21 "

22 23 **PROMOTE ACCESS TO AND EXCHANGE OF LIBRARY MATERIALS**

24 **SECTION 14.5.** G.S. 125-2 reads as rewritten:

25 **"§ 125-2. Powers and duties of Department of Natural and Cultural Resources.**

26 The Department of Natural and Cultural Resources shall have the following powers and
27 duties:

28 ...

- 29 (10) ~~To plan and coordinate cooperative programs between the various types of~~
30 ~~libraries within the State of North Carolina, and to coordinate State~~
31 ~~development with regional and national cooperative library programs; and to~~
32 ~~assist nonprofit corporations in organization and operation for the purposes~~
33 ~~of cooperative programs do the following:~~

- 34 a. Plan and coordinate cooperative programs between the various types
35 of libraries within the State of North Carolina.
36 b. Coordinate State development with regional and national cooperative
37 library programs.
38 c. Assist nonprofit corporations in the organization and operation of
39 cooperative programs.
40 d. Enter into contracts to coordinate cooperative programs or to
41 promote the access and exchange of library materials under this
42 subdivision."

43 44 **EXEMPTION FOR FOOD AND VENDING FACILITIES AT NORTH CAROLINA** 45 **ZOO**

46 **SECTION 14.6.(a)** Article 3 of Chapter 111 of the General Statutes is amended by
47 adding a new section to read:

48 **"§ 111-47.4. Food service at North Carolina Zoological Park.**

49 Notwithstanding any other provision of this Article, the North Carolina Zoological Park
50 may operate or contract for the operation of food or vending services at the North Carolina
51 Zoological Park. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food

1 and vending services operated by the North Carolina Zoological Park or a vendor with whom
 2 the North Carolina Zoological Park has contracted shall be credited to the North Carolina Zoo
 3 Fund."

4 **SECTION 14.6.(b)** This section becomes effective July 1, 2017, and applies to any
 5 contract for food or vending services at the North Carolina Zoological Park entered into on or
 6 after that date.

7 **CORRECT DNCR SALARY AND BENEFIT BASE BUDGET EXPENDITURES**

8 **SECTION 14.7.** Notwithstanding G.S. 143C-6-4, the Office of State Budget and
 9 Management, after coordination with the Department of Natural and Cultural Resources and
 10 the Fiscal Research Division, shall adjust personal services line items, as appropriate, within
 11 the Division of Parks and Recreation, the North Carolina Aquariums, and the North Carolina
 12 Zoological Park within the Department of Natural and Cultural Resources to correct errors in
 13 the base budget. The line item adjustments shall be corrected as part of the 2017-2019 biennial
 14 budget certification process. The Department shall make corresponding adjustments in the
 15 BEACON system to reflect the updated source of funds as necessary.

16 **ABOLISH ROANOKE ISLAND COMMISSION**

17 **SECTION 14.8.(a)** Article 19 of Chapter 143 of the General Statutes reads as
 18 rewritten:

19 "Article 19.

20 "Roanoke Island Historical Association.

21 **"§ 143-199. Association under patronage and control of State.**

22 Roanoke Island Historical Association, Incorporated is hereby permanently placed under
 23 the patronage and control of the State.

24 **"§ 143-200. Members of board of directors; terms; appointment.**

25 The governing body of the Association shall be a board of directors consisting of ~~the~~
 26 ~~Governor of the State, the Attorney General, the~~ 25 voting members appointed as follows:

27 (1) The following officials, or their designees, shall serve ex officio:

28 a. The Superintendent of Public Instruction, the Instruction.

29 b. The Chair of the Dare County Board of Commissioners, and the
 30 Commissioners.

31 c. The Secretary of Natural and Cultural Resources, or their designees,
 32 as ex officio members, and the following 21 members: J. Spencer
 33 Love, Greensboro; Miles Clark, Elizabeth City; Mrs. Richard J.
 34 Reynolds, Winston-Salem; D. Hiden Ramsey, Asheville; Mrs.
 35 Charles A. Cannon, Concord; Dr. Fred Hanes, Durham; Mrs. Frank
 36 P. Graham, Chapel Hill; Bishop Thomas C. Darst, Wilmington; W.
 37 Dorsey Pruden, Edenton; John A. Buchanan, Durham; William B.
 38 Rodman, Jr., Washington; J. Melville Broughton, Raleigh; Melvin R.
 39 Daniels, Manteo; Paul Green, Chapel Hill; Samuel Selden, Chapel
 40 Hill; R. Bruce Etheridge, Manteo; Theodore S. Meekins, Manteo;
 41 Roy L. Davis, Manteo; M. K. Fearing, Manteo; A. R. Newsome,
 42 Chapel Hill. Resources.

43 (2) Four persons shall be appointed as follows:

44 a. Two by the Governor, initially, one for a one-year term and one for a
 45 three-year term. Successors shall be appointed for a term of three
 46 years and until their successors are appointed.

47 b. One by the General Assembly, in accordance with G.S. 120-121,
 48 upon the recommendation of the President Pro Tempore of the
 49
 50

Senate, for a three-year term. Successors shall also be appointed for a term of three years and until their successors are appointed.

c. One by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the Speaker of the House of Representatives, initially for a one-year term. Successors shall be appointed for a term of three years and until their successors are appointed.

(3) ~~The remaining 18 members of the board of directors herein named other than the ex officio members, shall serve for a term of three years and until their successors are appointed. Appointments thereafter shall be made by the membership of the Association in the regular annual meeting or special meeting called for such purpose. In the event the Association through its membership should fail to make such appointments, then the appointments shall be made by the Governor of the State. If a vacancy occurs between annual meetings, the board of directors may fill the vacancy until the next annual meeting. All vacancies occurring on the board of directors not filled by the board of directors within 30 days of the vacancy shall be filled by the Governor of the State.~~ Governor. Members appointed under this subdivision shall serve for a term of three years and until their successors are appointed.

"§ 143-201. Bylaws; officers of board.

The ~~said~~ board of directors when organized under the terms of this Article shall have authority to adopt bylaws for the organization and ~~said the~~ bylaws shall thereafter be subject to change only by three-fifths vote of a quorum of ~~said the~~ board of ~~directors; the~~ directors. The board of directors shall choose from its membership or from the membership of the Association a chairman, a vice-chairman, a secretary and a treasurer, which offices in the discretion of the board may be combined in one, and also a historian and a general counsel. The board also in its discretion may choose one or more honorary vice-chairmen. ~~The~~ In addition to their other lawful duties, the duly elected officers of the Association shall also serve as an advisory committee to the Secretary of Natural and Cultural Resources concerning matters relating to "The Lost Colony" historical ~~drama-drama~~, the Roanoke Island Festival Park, and the Elizabeth II State Historic Site and Visitor Center.

"§ 143-202. Exempt from taxation; gifts and donations.

The ~~said~~ Association is and shall be an educational and charitable association within the meaning of the laws of the State of North Carolina, and the property and income of such Association, real and personal, shall be exempt from all taxation. The ~~said~~ Association is authorized and empowered to receive gifts and donations and administer the same for the charitable and educational purposes for which the Association is formed and in keeping with the will of the donors, and such gifts and donations to the extent permitted by law shall be exempted from the purpose of income taxes and gift taxes.

"§ 143-202.1. Memorandum of Agreement for operation of Roanoke Festival Park and Elizabeth II State Historic Site and Visitor Center.

The Department of Natural and Cultural Resources shall negotiate a Memorandum of Agreement (MOA) with the Association for the management and operation of Roanoke Island Festival Park, including the Elizabeth II State Historic Site and Visitor Center. The MOA shall include, at a minimum, the following:

- (1) The establishment and collection of any admission charges or user fees for properties and events operated at Roanoke Island Festival Park by the Association. Nothing in this subdivision is intended to require the charging of admission to any property or event.
- (2) The adoption and enforcement of bylaws, rules, and guidelines needed for the Association to carry out the duties imposed by the MOA.

1 (3) Provisions for the transfer of that portion of revenues collected from
2 operations of the Roanoke Island Festival Park and associated facilities and
3 enterprises from the Association to the Historic Roanoke Island Fund as the
4 MOA may specify.

5 (4) The delegation of any powers and the transfer of any assets, liabilities,
6 contracts, or agreements from the Department to the Association necessary
7 to carry out the duties imposed by the MOA. Any delegation or transfer shall
8 be made in accordance with applicable law."

9 **SECTION 14.8.(b)** Section 19.9 of S.L. 2013-360 is codified as G.S. 143-202.2
10 and reads as rewritten:

11 **"§ 143-202.2. Friends of Elizabeth II support for Roanoke Island Festival Park.**

12 ~~The Roanoke Island Commission~~The Department of Natural and Cultural Resources as
13 ~~successor in interest to the Roanoke Island Commission~~ shall request financial support from the
14 Friends of Elizabeth II, Inc., in the amount of three hundred twenty-five thousand dollars
15 (\$325,000) or a sum equal to the average of the last three consecutive years of the Friends'
16 investment earnings, whichever is greater, for each fiscal year ~~of the 2013-2015 biennium and~~
17 ~~for each subsequent fiscal year.~~ These funds shall be deposited by the Department to a
18 separate fund within the Historic Roanoke Island Fund and used pursuant to
19 G.S. 143B-131.2 only for the following purposes:

20 (1) To operate Roanoke Island Festival Park, including the Elizabeth II State
21 Historic Site and Visitor Center and the Elizabeth II as permanent memorials
22 commemorating the Roanoke Voyages, 1584-1587.

23 (2) By cooperative arrangement with other agencies, groups, individuals, and
24 other entities, including the Association, to coordinate and schedule
25 historical and cultural events on Roanoke Island."

26 **SECTION 14.8.(c)** G.S. 143B-131.8A and G.S. 143B-131.9 are recodified as
27 G.S. 143-202.3 and G.S. 143-202.4, respectively, and read as rewritten:

28 **"§ 143-202.3. Historic Roanoke Island Fund.**

29 (a) The Historic Roanoke Island Fund is established as a nonreverting enterprise fund
30 and shall be administered by the Department of Natural and Cultural Resources. ~~All operating~~
31 ~~revenues generated by the Roanoke Island Commission, including revenues collected from any~~
32 ~~property operated by the Roanoke Island Commission, together with all gifts, grants, donations,~~
33 ~~or other financial assets of whatever kind received or held by the Roanoke Island Commission~~
34 ~~shall be credited to the Historic Roanoke Island Fund and~~The fund shall be used only (i) ~~for~~
35 ~~the~~ for the following purposes in addition to those set forth in G.S. 143-202.2:

36 (1) The expenses of operating and maintaining the Roanoke Island Commission
37 and the properties managed by the Roanoke Island Commission, Roanoke
38 Island Historical Association pursuant to G.S. 143-202.1, including the
39 salaries and benefits of Roanoke Island Festival Park staff, (ii) to carry out
40 any of the other duties and purposes set out by this Part, or (iii) capital for
41 staff.

42 (2) Capital expenditures for the properties operated by the
43 Commission Association pursuant to G.S. 143-202.1.

44 (3) The restoration, preservation, and enhancement of the appearance,
45 maintenance, and aesthetic quality of U.S. Highway 64/264 and the U.S.
46 64/264 Bypass travel corridor on Roanoke Island and the grounds on
47 Roanoke Island Festival Park. However, the local government with
48 jurisdiction over the affected portion of the travel corridor shall process the
49 applications for and issue the certificates of appropriateness and shall be
50 responsible for the enforcement of those certificates and any ordinances or
51 rules adopted by the local government regarding that portion of the travel

1 corridor within the local government's jurisdiction, and no reimbursement
2 shall be made from the Fund to any local government for the processing of
3 applications or issuance of certificates of appropriateness or the enforcement
4 of those certificates, local ordinances, or rules.

5 (4) To identify, preserve, and protect properties located on Roanoke Island
6 having historical significance to the State of North Carolina, Dare County, or
7 the Town of Manteo consistent with applicable State laws and rules.

8 (b) The Department of Natural and Cultural Resources shall transfer to the Fund on a
9 monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer
10 Banks History Center, which is located in the Roanoke Island Festival Park. The funds received
11 pursuant to this subsection shall be credited to the Historic Roanoke Island Fund.

12 (c) The Department of Natural and Cultural Resources shall credit to the Historic
13 Roanoke Island Fund all rental proceeds received by the Department from the rental properties
14 located near the Outer Banks Island Farm.

15 **"§ 143-202.4. Roanoke Island Festival Park staff.**

16 The ~~Commission-Association~~ shall serve as a search committee to seek out, interview, and
17 recommend to the Secretary of Natural and Cultural Resources an Executive Director of
18 Roanoke Island Festival Park. All ~~employees of the Commission shall be transferred to~~ Festival
19 Park staff shall be considered employees of the Department of Natural and Cultural Resources
20 and shall be paid from the Historic Roanoke Island Fund as provided in
21 ~~G.S. 143B-131.8A.~~ G.S. 143-202.3. Except as otherwise provided in this section, or G.S. 126-5,
22 ~~all employees who are transferred from the Commission to the Department of Natural and~~
23 ~~Cultural Resources these employees~~ shall retain the same designations under the North
24 Carolina Human Resources Act, Chapter 126 of the General Statutes, as they had prior to the
25 transfer."

26 **SECTION 14.8.(d)** G.S. 121-7.3 reads as rewritten:

27 **"§ 121-7.3. Admission and related activity fees and operating hours.**

28 The Department of Natural and Cultural Resources may charge a reasonable admission and
29 related activity fee to the Roanoke Island Festival Park and any historic site or museum
30 administered by the Department. Admission and related activity fees collected under this
31 section are receipts of the Department and shall be deposited in the appropriate special fund.
32 The revenue collected pursuant to this section shall be used only for the individual ~~historic site~~
33 ~~or museum site or venue~~ where the receipts were generated. The Secretary may adopt rules
34 necessary to carry out the provisions of this section. The Department is exempt from the
35 requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting,
36 amending, or repealing rules for operating hours and admission fees or related activity fees at
37 the Roanoke Island Festival Park, historic sites-sites, and museums. The Department shall
38 submit a report to the Joint Legislative Commission on Governmental Operations on the
39 amount and purpose of a fee change within 30 days following its effective date."

40 **SECTION 14.8.(e)** Effective October 1, 2017, Part 27A of Article 2 of Chapter
41 143B of the General Statutes is repealed and the Roanoke Island Commission is abolished. All
42 powers, assets, liabilities, contracts, and agreements with, of, or issued by the Roanoke Island
43 Commission are vested in and transferred to the Department of Natural and Cultural Resources
44 as the successor in interest to the Commission. Any references to purposes of the Commission
45 set forth in G.S. 143B-131.2 shall be construed to refer to the purposes set forth in
46 G.S. 143-202.2, as enacted by subsection (b) of this section.

47 **SECTION 14.8.(f)** Any certificates of appropriateness for the U.S. Highway
48 64/264 or the U.S. 64/264 Bypass travel corridor issued by any local government under former
49 Part 27A of Article 2 of Chapter 143B of the General Statutes remain valid and in effect as
50 issued.

1 **SECTION 14.8.(g)** Notwithstanding G.S. 143-200(2)b. and c., as enacted by
 2 subsection (a) of this section, the initial appointments of the General Assembly to the Roanoke
 3 Island Historical Association Board shall be the chair and vice-chair of the Roanoke Island
 4 Commission holding that office on September 30, 2017, who shall serve the initial term set
 5 forth in G.S. 143-200(2)b. and c.

6 **SECTION 14.8.(h)** The Department of Natural and Cultural Resources shall enter
 7 into the Memorandum of Agreement required by G.S. 143-202.1, as enacted by subsection (a)
 8 of this section, no later than January 15, 2018, and shall submit a copy of the Memorandum of
 9 Agreement to the Joint Legislative Oversight Committee on Agriculture and Natural and
 10 Economic Resources and the Fiscal Research Division prior to the convening of the 2018
 11 Regular Session of the 2017 General Assembly.

12 **SECTION 14.8.(i)** This section becomes effective October 1, 2017.
 13

14 **LUMBER RIVER STATE PARK**

15 **SECTION 14.9.** The Division of Parks and Recreation of the Department of
 16 Natural and Cultural Resources may move the Lumber River State Park's primary office and
 17 headquarters to the Lumber River Visitors Center in Fair Bluff. If the Division decides to
 18 relocate the headquarters, the Division and the Department of Transportation shall work
 19 together to enable and facilitate the move.
 20

21 **PART XV. DEPARTMENT OF COMMERCE**

22 23 **NER BLOCK GRANTS FOR 2018 AND 2019 PROGRAM YEARS/USE OF** 24 **DEOBLIGATED FUNDS**

25 **SECTION 15.1.(a)** Appropriations from federal block grant funds are made for the
 26 fiscal years ending June 30, 2018, and June 30, 2019, according to the following schedule:
 27

28 **COMMUNITY DEVELOPMENT BLOCK GRANT**

29	30	01. State Administration	\$ 1,037,500
31	32	02. Neighborhood Revitalization	10,000,000
33	34	03. Economic Development	10,737,500
35	36	04. Infrastructure	21,725,000

37 38 **TOTAL COMMUNITY DEVELOPMENT**

39	BLOCK GRANT – 2018 Program Year	\$ 43,500,000
40	2019 Program Year	\$ 43,500,000

41
42 **SECTION 15.1.(b)** If federal funds are reduced below the amounts specified in
 43 this section after the effective date of this act, then every program in each of these federal block
 44 grants shall be reduced by the same percentage as the reduction in federal funds.

45 **SECTION 15.1.(c)** Any block grant funds appropriated by the Congress of the
 46 United States in addition to the funds specified in this section shall be expended as follows:
 47 each program category under the Community Development Block Grant shall be increased by
 48 the same percentage as the increase in federal funds.

49 **SECTION 15.1.(d)** Of the funds appropriated in this section for the Community
 50 Development Block Grant, the following shall be allocated in each category for each program
 51 year: up to one million thirty-seven thousand five hundred dollars (\$1,037,500) may be used for

1 State Administration; up to ten million dollars (\$10,000,000) may be used for Neighborhood
2 Revitalization; up to ten million seven hundred thirty-seven thousand five hundred dollars
3 (\$10,737,500) may be used for Economic Development; and up to twenty-one million seven
4 hundred twenty-five thousand dollars (\$21,725,000) may be used for infrastructure. If federal
5 block grant funds are reduced or increased by the Congress of the United States after the
6 effective date of this act, then these reductions or increases shall be allocated in accordance
7 with subsection (b) or (c) of this section, as applicable.

8 **SECTION 15.1.(e)** The Department of Commerce shall consult with the Joint
9 Legislative Commission on Governmental Operations prior to reallocating Community
10 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever
11 the Director of the Budget finds that:

12 (1) A reallocation is required because of an emergency that poses an imminent
13 threat to public health or public safety, the Director of the Budget may
14 authorize the reallocation without consulting the Commission. The
15 Department of Commerce shall report to the Commission on the reallocation
16 no later than 30 days after it was authorized and shall identify in the report
17 the emergency, the type of action taken, and how it was related to the
18 emergency.

19 (2) The State will lose federal block grant funds or receive less federal block
20 grant funds in the next fiscal year unless a reallocation is made. The
21 Department of Commerce shall provide a written report to the Commission
22 on the proposed reallocation and shall identify the reason that failure to take
23 action will result in the loss of federal funds. If the Commission does not
24 hear the issue within 30 days of receipt of the report, the Department may
25 take the action without consulting the Commission.

26 **SECTION 15.1.(f)** By September 1, 2017, and September 1, 2018, the Department
27 of Commerce shall report to the chairs of the House of Representatives Appropriations
28 Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate
29 Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint
30 Legislative Economic Development and Global Engagement Oversight Committee, and the
31 Fiscal Research Division on the use of Community Development Block Grant Funds
32 appropriated in the prior fiscal year. The report shall include the following:

33 (1) A discussion of each of the categories of funding and how the categories
34 were selected, including information on how a determination was made that
35 there was a statewide need in each of the categories.

36 (2) Information on the number of applications that were received in each
37 category and the total dollar amount requested in each category.

38 (3) A list of grantees, including the grantee's name, county, category under
39 which the grant was funded, the amount awarded, and a narrative description
40 of the project.

41 **SECTION 15.1.(g)** For purposes of this section, eligible activities under the
42 category of infrastructure in subsection (a) of this section shall be defined as provided in the
43 HUD State Administered Community Development Block Grant definition of the term
44 "infrastructure." Notwithstanding the provisions of subsection (e) of this section, funds
45 allocated to the infrastructure category in subsection (a) of this section shall not be reallocated
46 to any other category.

47 **SECTION 15.1.(h)** Throughout each year, deobligated funds arise in the various
48 funding categories and program years of the Community Development Block Grant (CDBG)
49 program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii)
50 projects being required to repay funds. Surplus federal administrative funds in the CDBG

1 program may vary from year-to-year based upon the amount of State-appropriated funds
2 allocated and the amount of eligible in-kind funds identified.

3 **SECTION 15.1.(i)** To allow the Department of Commerce and the Department of
4 Environmental Quality to quickly deploy deobligated and surplus federal administrative funds
5 as they are identified throughout the program year, the following shall apply to the use of
6 deobligated CDBG funds and surplus federal administrative funds:

- 7 (1) All surplus federal administrative funds shall be divided equally between the
8 Departments of Commerce and Environmental Quality and shall be used as
9 provided in subdivisions (2) and (3) of this subsection.
- 10 (2) All deobligated funds allocated to the Department of Commerce and any
11 surplus federal administrative funds, as provided for in subdivision (1) of
12 this subsection, may be used by the Department for all of the following:
 - 13 a. To issue grants in the CDBG economic development or
14 neighborhood revitalization program category.
 - 15 b. For providing training and guidance to local governments relative to
16 the CDBG program, its management, and administrative
17 requirements.
 - 18 c. For any other purpose consistent with the Department's
19 administration of the CDBG program if an equal amount of State
20 matching funds is available.
- 21 (3) All deobligated funds allocated to the Department of Environmental Quality
22 and any surplus federal administrative funds, as provided for in subdivision
23 (1) of this subsection, may be used by the Department for all of the
24 following:
 - 25 a. To issue grants in the CDBG infrastructure program category.
 - 26 b. For any other purpose consistent with the Department's
27 administration of the CDBG program if an equal amount of State
28 matching funds is available.

30 TRAVEL AND TOURISM BOARD TECHNICAL CORRECTION

31 **SECTION 15.2.** G.S. 143B-434.1(d) reads as rewritten:

32 "(d) The members of the Board shall serve the following terms: the Secretary of
33 Commerce, the chief executive officer of the nonprofit corporation with which the Department
34 contracts pursuant to G.S. 143B-431.01(b), and the Chair of the Travel and Tourism Coalition
35 shall serve on the Board while they hold their respective offices. Each member of the Board
36 appointed by the Governor shall serve during his or her term of office. The members of the
37 Board appointed by the ~~General Assembly~~ Speaker of the House of Representatives and the
38 President Pro Tempore of the Senate shall serve two-year terms beginning on September 1 of
39 ~~odd-numbered~~ even-numbered years and ending on August 31. The first such term shall begin
40 on September 1, 2016, or as soon thereafter as the member is appointed to the Board, and end
41 on August 31, 2018. All other members of the Board shall serve a term which includes the
42 portion of calendar year 2016 that remains following their appointment or designation and ends
43 on August 31, 2017, and, thereafter, two-year terms which shall begin on September 1 of an
44 ~~even-numbered~~ odd-numbered year and end on August 31. The first such two-year term shall
45 begin on September 1, 2017, and end on August 31, 2019."

47 EDPNC REPORTING DATE CHANGE

48 **SECTION 15.3.(a)** G.S. 143B-431.01(f) reads as rewritten:

49 "(f) Report. – By ~~September 30~~ December 31 of each year, and more frequently as
50 requested, the Department shall submit a report to the Joint Legislative Commission on
51 Governmental Operations, the Joint Legislative Economic Development and Global

1 Engagement Oversight Committee, and the Fiscal Research Division on any performance for
2 which the Department has contracted pursuant to this section. The report shall contain, at a
3 minimum, each of the ~~following~~following presented on a calendar year basis:

4"

5 **SECTION 15.3.(b)** To enable data comparison, portions of the report required
6 pursuant to G.S. 143B-431.01(f) that contain references to prior submitted reports or data shall,
7 where possible, be presented on a calendar year basis.

8 **SECTION 15.3.(c)** This section becomes effective October 1, 2017, and applies to
9 the report due on or before December 31 of 2017 and subsequent years.

10 11 **EDPNC CONTRACT MODIFICATIONS**

12 **SECTION 15.4.** Notwithstanding G.S. 143B-431.01(e)(14), the Secretary of
13 Commerce shall enter into negotiations with the Economic Development Partnership of North
14 Carolina to amend the contract with the Partnership for the fund-raising year in effect as of the
15 effective date of this section to (i) reduce to five hundred thousand dollars (\$500,000) the
16 amount the Partnership must receive from fund-raising efforts and sources other than State
17 funds and (ii) permit amounts for the fiscal year raised in excess of the amount required by this
18 section to apply to the amount required to be raised for the subsequent fiscal year.

19 20 **BUDGET CODE REORGANIZATION FOR COMMERCE**

21 **SECTION 15.5.** The Office of State Budget and Management shall establish a
22 fund code for the International Recruitment Coordination Office (IRCO) in the budget for the
23 Department of Commerce in Budget Code 14600 for the purpose of removing the IRCO from
24 the Administrative Services fund code. The changes authorized by this section shall be
25 completed by September 30, 2017, but are effective from July 1, 2017, and shall be reflected in
26 the base budget for the 2019-2021 fiscal biennium.

27 28 **DEPARTMENT OF COMMERCE WEB SITE**

29 **SECTION 15.6.** Notwithstanding any provision of law to the contrary, of the funds
30 appropriated in this act to the Department of Commerce, the sum of five hundred thousand
31 dollars (\$500,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used to enter
32 into an agreement with a third-party vendor to develop and implement a new Internet Web site
33 for the Department.

34 35 **SITE AND BUILDING DEVELOPMENT FUND**

36 **SECTION 15.7.(a)** Article 10 of Chapter 143B of the General Statutes is amended
37 by adding a new section to read:

38 **"§ 143B-437.02B. Site and Building Development Fund.**

39 (a) Definitions. – The following definitions apply in this section:

40 (1) Code. – Defined in G.S. 105-228.90.

41 (2) Department. – The Department of Commerce.

42 (3) Development plan. – A strategic analysis of potential qualified business
43 facilities required by this section to be maintained by the Department and
44 updated every four years.

45 (4) Fund. – The Site and Building Development Fund established in this section.

46 (5) Local government. – Any of the following:

47 a. A city as defined in G.S. 160A-1.

48 b. A county.

49 c. A consolidated city-county as defined in G.S. 160B-2.

- 1 (6) Local government unit. – The term includes a local government, a nonprofit
2 economic development corporation, and any combination of local
3 governments or nonprofit economic development corporations.
- 4 (7) Long-term lease. – A lease agreement with a maximum duration exceeding
5 three years, including any extensions allowed by the lease agreement.
- 6 (8) Nonprofit economic development corporation. – A corporation meeting all
7 of the following requirements:
- 8 a. Exempt from income tax under Section 501(c)(3) or Section
9 501(c)(6) of the Code.
- 10 b. Established to assist one or more local governments in reducing the
11 burden of economic development efforts.
- 12 c. Acknowledged through a resolution of one or more local
13 governments that contains all of the following:
- 14 1. Statement that the corporation is acting in support of the local
15 government in economic development efforts.
- 16 2. Nonbinding pledge to repay the Fund if the corporation fails
17 to make any required loan payments.
- 18 (9) Qualified business facilities. – Real property, improvements to real property,
19 and planned improvements to real property. Improvements to real property
20 include the following:
- 21 a. New buildings, renovations to buildings, and upfitting buildings.
- 22 b. Water lines, sewer lines, and other utility improvements.
- 23 c. Roads, grading, signage, and other access improvements.
- 24 d. Measures necessary for permitting, including services.
- 25 e. Any other measures necessary for the land to be marketable for
26 immediate use in commercial operations, including necessary
27 services.
- 28 (10) Sale. – Any transfer of ownership, including involuntary transfers.
- 29 (b) Fund Established. – The Site and Building Development Fund is created as a
30 restricted reserve in the Department. The Fund does not revert but remains available to the
31 Department for the purposes of this section.
- 32 (c) Use of the Fund. – The Department shall use the Fund for the following purposes:
- 33 (1) Loans to local government units for the acquisition and development of
34 qualified business facilities in accordance with this section.
- 35 (2) Expenses directly related to the operation of the Fund and administering
36 loans from the Fund, including the cost of the development plan required by
37 this section.
- 38 (d) Application. – The Department shall require a local government unit to submit an
39 application in order for a project to be considered for a loan from the Fund. The Department
40 shall prescribe the form of the application, the application process, and the information to be
41 provided, including all information necessary to evaluate the qualified business facility in
42 accordance with this section.
- 43 (e) Selection. – The Department shall administer the selection of qualified business
44 facilities to receive loans from the Fund. The Department shall develop written guidelines to
45 identify and evaluate qualified business facilities. The Department shall issue written findings
46 addressing any application approved for a loan from the Fund. The Department shall consider
47 the following factors in approving applications for loans from the Fund:
- 48 (1) Consistency with the economic development goals of the State and of the
49 area where the qualified business facility will be located.
- 50 (2) The priority recommendations in the development plan.

- 1 (3) Preference for qualified business facilities located in rural or less-developed
2 areas of the State.
- 3 (4) Evaluation of the application to determine if the qualified business facilities
4 are merited and appropriate for the proposed use.
- 5 (5) Necessity of a loan from the Fund for the completion of the qualified
6 business facility.
- 7 (f) Development Plan. – The Department shall obtain a strategic analysis of potential
8 qualified business facilities and an update to the analysis every four years. The Department
9 shall contract with another entity with demonstrated experience in site selection services for
10 businesses and in evaluating sites for business recruitment purposes.
- 11 (g) Awards. – If the Department approves an application for a qualified business
12 facility, the Department shall determine the amount of the loan from the Fund, the preferred
13 form and details of the loan participation, and the safeguards to protect the State's investment.
- 14 (h) Maximum Award to Tier Three Counties. – The maximum outstanding loan balance
15 from the Fund to qualified business facilities located in tier three counties, based on the
16 designation assigned pursuant to G.S. 143B-437.08, shall be thirty percent (30%) of the
17 difference between the cumulative total appropriations into the Fund and total expenses paid
18 from the Fund.
- 19 (i) Loan Terms. – Loans from the Fund shall meet the following requirements:
- 20 (1) The loan is evidenced by a promissory note and secured by a first deed of
21 trust on the qualified business facility.
- 22 (2) The maximum duration of a loan is 15 years.
- 23 (3) The loan is due upon the sale or long-term lease of the qualified business
24 facility. Principal and accrued interest must be paid when the loan is due or
25 more frequently.
- 26 (4) The interest rate of a loan is zero percent (0%) for tier one counties, one
27 percent (1%) for tier two counties, and two percent (2%) for tier three
28 counties, based on the designation assigned to counties pursuant to
29 G.S. 143B-437.08.
- 30 (5) The loan agreement shall require the local government unit to obtain from
31 any entity leasing or purchasing the qualified business facility the following:
- 32 a. An agreement that the entity will not use the qualified business
33 facility for retail, professional office, sporting event, museum, or
34 governmental purposes for at least five years after the lease or
35 purchase.
- 36 b. A legal opinion based on a search of public records that the entity
37 leasing or purchasing the qualified business facility has no debts
38 related to unpaid taxes.
- 39 (j) Multiple Loans. – One or more financial institutions may hold a security interest on
40 the qualified business facility with a priority equal to the security interest for the loan from the
41 Fund if there is a written intercreditor agreement between the Department and other equal
42 priority creditors that provides that, in the event of default, any loss is shared among the
43 creditors in proportion to the amount loaned.
- 44 (k) Payments. – The Department shall be responsible for monitoring the loan and
45 administering the repayment. The Department shall remit all amounts paid under this section to
46 the Fund.
- 47 (l) Release. – The Department, at its discretion, may release property from the first
48 deed of trust if adequate security remains for the outstanding balance of the loan from the Fund.
49 The Department may use this authority to release property to restructure the terms of the loan
50 and participate in financing transactions involving the qualified business facility.

1 (m) Limitation. – Nothing in this section constitutes or authorizes a guarantee or
2 assumption by the State of any debt of any business or authorizes the taxing power or the full
3 faith and credit of the State to be pledged.

4 (n) Notice of Guidelines. – At least 20 days before the effective date of any guidelines,
5 the Department shall publish the proposed guidelines on the Department's Web site and provide
6 notice to persons who have requested notice. In addition, the Department shall accept written
7 comments on the proposed guidelines during the 15 business days beginning on the first day
8 the Department has completed the notice requirement of this subsection. Amendments to the
9 guidelines to correct spelling, grammatical, or typographical errors do not require notice.

10 (o) Reports. – On September 1 of each year until the Fund has no assets, the
11 Department shall submit a written report on the Fund to the chairs of the Senate Appropriations
12 Committee on Agriculture, Natural, and Economic Resources, the chairs of the House of
13 Representatives Appropriations Committee on Agriculture and Natural and Economic
14 Resources, the Joint Legislative Economic Development and Global Engagement Oversight
15 Committee, and the Fiscal Research Division and publish this report on its Web site. This
16 report shall contain at least all of the following:

17 (1) A listing of each outstanding loan, including the date of loan, amount of
18 loan, outstanding amount of loan, interest rate, maturity date, location of
19 qualified business facility acting as security, brief property description,
20 identity of local government unit receiving the loan, status of repayment,
21 current use of the qualified business facility, and identification of loans made
22 since the last report.

23 (2) Written findings addressing any application approved for a loan from the
24 Fund since the last report, as required by subsection (e) of this section.

25 (3) Detailed information about any defaults and repayment since the last report.

26 (4) Information contained in the report required by G.S. 105-277.15A(g)."

27 **SECTION 15.7.(b)** G.S. 150B-1(d) is amended by adding a new subdivision to
28 read:

29 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
30 following:

31 ...

32 (29) The Department of Commerce in developing criteria and guidelines under
33 G.S. 143B-437.02B."

34 **SECTION 15.7.(c)** The provisions of this section are not subject to the terms of
35 G.S. 160A-20.

36 **SECTION 15.7.(d)** This section does not obligate the General Assembly to
37 appropriate funds to implement it.

38 **REVITALIZATION AND ECONOMIC DEVELOPMENT GRANTS**

39 **SECTION 15.8.(a)** Of the funds appropriated in this act to the Rural Economic
40 Development Division of the Department of Commerce, the sum of nine hundred fifty thousand
41 dollars (\$950,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used to provide
42 grants-in-aid for downtown revitalization projects for each of the following municipalities in
43 the following amounts: two hundred thousand dollars (\$200,000) to the Town of Bath; one
44 hundred thousand dollars (\$100,000) each to the Town of Emerald Isle and the Town of Haw
45 River; ninety thousand dollars (\$90,000) each to the Town of Walnut Cove and the City of
46 King; seventy thousand dollars (\$70,000) to the Town of Liberty; sixty thousand dollars
47 (\$60,000) each to the Town of Gibsonville and the Town of Ramseur; fifty thousand dollars
48 (\$50,000) each to the City of Burlington and the City of Graham; forty thousand dollars
49 (\$40,000) to the Town of Maysville; and twenty thousand dollars (\$20,000) each to the Town
50 of Trenton and the Town of Pollocksville.
51

1 **SECTION 15.8.(b)** Of the funds appropriated in this act to the Rural Economic
2 Development Division of the Department of Commerce, the sum of one hundred thousand
3 dollars (\$100,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used to provide
4 a grant-in-aid to the Washington Harbor District Alliance for the purpose of rehabilitating a
5 historic downtown building to be used for a permanent farmers and artisans market in
6 downtown Washington.

7 **SECTION 15.8.(c)** Of the funds appropriated in this act to the Rural Economic
8 Development Division of the Department of Commerce, the sum of one hundred eighty
9 thousand dollars (\$180,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used
10 to provide a grant-in-aid to the Town of Mount Olive to be used to support the agriculture
11 program at the University of Mount Olive.

12 **SECTION 15.8.(d)** Of the funds appropriated in this act to the Rural Economic
13 Development Division of the Department of Commerce, the sum of thirty thousand dollars
14 (\$30,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used to provide a
15 grant-in-aid to the Textile Heritage Museum in Glencoe.

16 **SECTION 15.8.(e)** Of the funds appropriated in this act to the Rural Economic
17 Development Division of the Department of Commerce, the sum of one million five hundred
18 thousand dollars (\$1,500,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used
19 as a challenge grant to the City of High Point to raise the sum of one million five hundred
20 thousand dollars (\$1,500,000) in private funds for the development of a design factory project
21 in downtown High Point, which will provide a makerspace for entrepreneurs, designers,
22 manufacturers, and artisans to collaborate and work together. The allocation of one million five
23 hundred thousand dollars (\$1,500,000) under this section is contingent upon receipt by the City
24 of High Point of one million five hundred thousand dollars (\$1,500,000) in private funds for the
25 purpose of developing a design factory project in downtown High Point.

26 The Rural Economic Development Division shall disburse the challenge grant funds
27 of one million five hundred thousand dollars (\$1,500,000) to the City of High Point upon
28 notification and appropriate documentation that the sum of one million five hundred thousand
29 dollars (\$1,500,000) in private funds has been raised pursuant to this section. Any unmatched
30 funds pursuant to this section shall revert to the General Fund on June 30, 2019.

31 32 **MAIN STREET SOLUTIONS FUND ALLOCATIONS**

33 **SECTION 15.9.(a)** Of the funds appropriated by this act to the Department of
34 Commerce for the Main Street Solutions Fund for the 2017-2018 fiscal year, the Department
35 shall allocate two hundred thousand dollars (\$200,000) in nonrecurring funds for downtown
36 revitalization projects in the following municipalities for the following amounts: one hundred
37 thousand dollars (\$100,000) each to the Town of Pembroke and the City of Lumberton.

38 **SECTION 15.9.(b)** Of the funds appropriated in this act to the Department of
39 Commerce for the Main Street Solutions Fund for the 2017-2018 fiscal year, the Department
40 shall allocate one hundred fifty thousand dollars (\$150,000) in nonrecurring funds to the City
41 of Lumberton to be used for the repair of the Riverwalk.

42 43 **PROSPERITY ZONE REPORTING**

44 **SECTION 15.10.(a)** For each Collaboration for Prosperity Zone established in
45 G.S. 143B-28.1, the employees of the Department of Commerce in the zone shall submit a
46 report on or before September 1 of each year to the Joint Legislative Economic Development
47 and Global Engagement Oversight Committee and the Fiscal Research Division on the
48 following: (i) jobs anticipated to result from efforts of the employees, including the name and
49 contact person of each company creating new jobs in the zone, (ii) the location of each project,
50 including the development tier designation of the location, and (iii) project leads that were not

1 submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of
2 the General Statutes.

3 **SECTION 15.10.(b)** The Department of Commerce shall develop performance
4 metrics for Community Planners for the Collaboration for Prosperity Zones established in
5 G.S. 143B-28.1. At a minimum, the performance metrics shall include the following:

- 6 (1) Existing business expansion activities, service requests, and number of
7 contacts and inquiries.
- 8 (2) New business location activities and number of contacts and inquiries.

9 The Department of Commerce shall submit a report on or before September 1 of
10 each year to the Joint Legislative Economic Development and Global Engagement Oversight
11 Committee and the Fiscal Research Division detailing the performance metrics and the
12 measurements observed for each Community Planner within the Collaboration for Prosperity
13 Zones.
14

15 **WASTEWATER FUNDING REPORT**

16 **SECTION 15.11.** The Johnston County Research and Training Zone shall submit a
17 report detailing its use of State funds appropriated by this act. The report shall be submitted to
18 the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
19 Resources, the chairs of the House of Representatives Appropriations on Agriculture and
20 Natural and Economic Resources, the chairs of the Senate Appropriations on Agriculture,
21 Natural, and Economic Resources, and the Fiscal Research Division by September 1 of each
22 year State funds are received, and more frequently as requested, and shall include the
23 information required by this section for the most recently ended fiscal year.
24

25 **YOUTH WORKFORCE INVESTMENT PROGRAM CHANGES**

26 **SECTION 15.12.(a)** The local Workforce Development Boards created pursuant to
27 G.S. 143B-438.11 shall include in their State-developed criteria to be used in awarding grants
28 for youth workforce investment activities pursuant to Section 129 of the federal Workforce
29 Innovation and Opportunity Act a competitive process that requires grant recipients to provide
30 at least the following information as part of the application process and consideration of grant
31 awards:

- 32 (1) The extent to which the organization specifically focuses on serving at-risk
33 youth, including youth who are at risk of school dropout or at risk of school
34 displacement due to suspension or expulsion.
- 35 (2) Whether the organization leverages community-based resources, including
36 partnerships with organizations that provide mentoring services and
37 private-sector employer involvement.
- 38 (3) The use of an evidence-based program model by the organization with a
39 proven track record of success.
- 40 (4) The inclusion of rigorous, quantitative performance measures by the
41 organization to confirm effectiveness of the program.
- 42 (5) The deployment of comprehensive support services to youth, including
43 addressing behavioral issues, emphasizing academic and career growth, and
44 enhancing parent and family engagement.

45 **SECTION 15.12.(b)** The local Workforce Development Boards shall coordinate
46 with the NCWorks Commission to update the Workforce Innovation and Opportunity Act
47 Unified State Plan, as needed, to reflect the inclusions to the State-developed criteria required
48 by subsection (a) of this section.

49 **SECTION 15.12.(c)** On or before October 1 of each year, the local Workforce
50 Development Boards shall submit a report to the Joint Legislative Oversight Committee on
51 Agriculture and Natural and Economic Resources, the chairs of the House of Representatives

1 Appropriations Committee on Agriculture and Natural and Economic Resources, the Joint
2 Legislative Education Oversight Committee, and the Fiscal Research Division on prior State
3 fiscal year program activities, objectives, and accomplishments and prior State fiscal year
4 itemized expenditures and fund sources. The report shall also contain a list of grant recipients
5 and the amount received by the grant recipients.

7 APPRENTICESHIPNC/TRANSFER STATE APPRENTICESHIP PROGRAM

8 **SECTION 15.13.(a)** All functions, powers, duties, obligations, resources, and
9 appropriations vested in the Apprenticeship Program and the Apprenticeship Council are
10 transferred to, vested in, and consolidated into the North Carolina Community Colleges System
11 Office as a Type I transfer, as defined in G.S. 143A-6. The State Board of Community
12 Colleges, the Community Colleges System Office, and the Office of State Budget and
13 Management are authorized to take all other steps necessary to consolidate the Apprenticeship
14 Program and the Apprenticeship Council into the Community Colleges System Office. Joint
15 delivery of Apprenticeship and Community College workforce training programs shall ensure
16 coordination of program delivery and appropriate classroom training supporting the needs of
17 students and employers.

18 **SECTION 15.13.(b)** Article 1 of Chapter 115D of the General Statutes is amended
19 by adding a new section to read:

20 "§ 115D-5.3. ApprenticeshipNC program; Apprenticeship Council; transfer.

21 The ApprenticeshipNC program and the Apprenticeship Council, as contained in Chapter
22 94 of the General Statutes and the laws of this State, are hereby transferred by a Type I transfer
23 to the North Carolina Community Colleges System Office."

24 **SECTION 15.13.(c)** Chapter 94 of the General Statutes reads as rewritten:

25 "Chapter 94.

26 "~~Apprenticeship-ApprenticeshipNC.~~

27 "§ 94-1. Purpose.

28 The purposes of this Chapter are: to open to young people the opportunity to obtain training
29 that will equip them for profitable employment and citizenship; to set up, as a means to this
30 end, a program of voluntary apprenticeship under approved apprentice agreements providing
31 facilities for their training and guidance in the arts and crafts of industry and trade, with parallel
32 instruction in related and supplementary education; to promote employment opportunities for
33 young people under conditions providing adequate training and reasonable earnings; to relate
34 the supply of skilled workers to employment demands; to establish standards for apprentice
35 training; to coordinate workforce education and customized training tools to fill talent pipeline
36 gaps, as appropriate, with local business and industry; to establish an Apprenticeship Council
37 and apprenticeship committees and sponsors to assist in effectuating the purposes of this
38 Chapter; to leverage the collaborative and regional structure of the community college service
39 areas with the Collaboration for Prosperity Zones set out in G.S. 143B-28.1; to provide for a
40 Director of ~~Apprenticeship~~ApprenticeshipNC within the ~~Department of Commerce;~~Community
41 Colleges System Office; to provide for reports to the legislature and to the public regarding the
42 status of apprentice training in the State; to establish a procedure for the determination of
43 apprentice agreement controversies; and to accomplish related ends.

44 "§ 94-2. Apprenticeship Council.

45 The ~~Secretary of Commerce~~State Board of Community Colleges shall appoint an
46 Apprenticeship Council composed of four representatives each from employer and employee
47 organizations respectively and three representatives from the public at large. One State official
48 designated by the Department of Public Instruction and one State official designated by the
49 Department of ~~Community Colleges~~Commerce shall be a member ex officio of said council,
50 without vote. The terms of office of the members of the Apprenticeship Council ~~first appointed~~
51 ~~by the Secretary of Commerce shall expire as~~shall be designated by the ~~Secretary at the time of~~

1 ~~making the appointment: two representatives each of employers and employees, being~~
2 ~~appointed for one year and one representative of the public at large being appointed for two~~
3 ~~years; and one representative each of employers, employees, and the public at large being~~
4 ~~appointed for a term of three years.~~ State Board. Any member appointed to fill a vacancy
5 occurring prior to the expiration of the term of his or her predecessor shall be appointed for the
6 remainder of said term. Each member of the Council not otherwise compensated by public
7 moneys, shall be reimbursed for transportation and shall receive such per diem compensation as
8 is provided generally for boards and commissions under the biennial maintenance appropriation
9 acts for each day spent in attendance at meetings of the Apprenticeship Council. The ~~Secretary~~
10 ~~of Commerce~~ State Board of Community Colleges shall annually appoint one member of the
11 Council to act as its chairman.

12 The Apprenticeship Council shall meet at the call of the ~~Secretary of Commerce~~ State Board
13 of Community Colleges and shall aid ~~him~~ the State Board and the Community Colleges System
14 Office in formulating policies for the effective administration of this Chapter. ~~Subject to the~~
15 ~~approval of the Secretary, the~~ The Apprenticeship Council shall establish standards for
16 apprentice ~~agreement~~ agreements which in no case shall be lower than those prescribed by this
17 Chapter, shall ~~issue such~~ recommend rules and regulations to the State Board of Community
18 Colleges as may be necessary to carry out the intent and purposes of said Chapter, and shall
19 perform such other functions as the ~~Secretary~~ State Board of Community Colleges may direct.
20 Not less than once a year the Apprenticeship Council shall make a report through the
21 ~~Secretary~~ Community Colleges System Office of its activities and findings to the legislature and
22 to the public.

23 **"§ 94-3. Director of Apprenticeship.** ApprenticeshipNC.

24 The ~~Secretary of Commerce~~ State Board of Community Colleges is hereby directed to
25 appoint a Director of ~~Apprenticeship~~ ApprenticeshipNC, which appointment shall be subject to
26 the confirmation of the State Apprenticeship Council by a majority vote. ~~The Secretary of~~
27 ~~Commerce~~ Upon the recommendation of the Director, the State Board of Community Colleges
28 is further authorized to appoint and employ such clerical, technical, and professional help as
29 shall be necessary to effectuate the purposes of this Chapter. The Director shall supervise
30 clerical, technical, and professional staff appointed to administer the ApprenticeshipNC
31 program.

32 **"§ 94-4. Powers and duties of Director of Apprenticeship.** ApprenticeshipNC.

33 The Director, under the supervision of the ~~Secretary of Commerce~~ President of the North
34 Carolina Community College System or the President's designee and with the advice and
35 guidance of the Apprenticeship Council is authorized to administer the provisions of this
36 Chapter; in cooperation with the Apprenticeship Council and apprenticeship committees and
37 sponsors, to set up conditions and training standards for apprentice agreements, which
38 conditions or standards shall in no case be lower than those prescribed by this Chapter; to act as
39 secretary of the Apprenticeship Council; to approve for the Council if in his or her opinion
40 approval is for the best interest of the apprenticeship any apprentice agreement which meets the
41 standards established under this Chapter; to terminate or cancel any apprentice agreement in
42 accordance with the provisions of such agreement; to keep a record of apprentice agreements
43 and their disposition; to issue certificates of completion of apprenticeship; and to perform such
44 other duties as are necessary to carry out the intent of this Chapter, including other on-job
45 training necessary for emergency and critical civilian production: Provided, that the
46 administration and supervision of related and supplemental instruction for apprentices,
47 coordination of instruction with job experiences, and the selection and training of teachers and
48 coordinators for such instruction shall be the responsibility of State and local boards
49 responsible for vocational education.

50 **"§ 94-5. Apprenticeship committees and program sponsors.**

51 (a) As used in this Chapter:

1 ...
 2 (2) "Apprenticeship agreement" means a written agreement between an
 3 apprentice and either his or her employer or an apprenticeship committee or
 4 sponsor acting as agent for ~~employer(s),employers,~~ which agreement
 5 satisfies the requirements of G.S. 94-7.

6 (2a) "ApprenticeshipNC" means the statewide apprenticeship program
 7 administered by the Community Colleges System Office in accordance with
 8 this Chapter.
 9 ...

10 **"§ 94-6. Definition of an apprentice.**

11 The term "apprentice," as used herein, shall mean a person at least 16 years of age who is
 12 covered by a written apprenticeship agreement approved by the Apprenticeship Council, which
 13 apprenticeship agreement provides for not less than 2,000 hours of reasonably continuous
 14 employment for such person for his or her participation in an approved schedule of work
 15 experience and for organized, related supplemental instruction in technical subjects related to
 16 the trade. A minimum of 144 hours of related supplemental instruction for each year of
 17 apprenticeship is recommended. The required hours for apprenticeship agreements and the
 18 recommended hours for related supplemental instruction may be decreased or increased in
 19 accordance with standards adopted by the apprenticeship committee or sponsor, subject to
 20 approval of the ~~Secretary of Commerce,~~ State Board of Community Colleges.

21 ...
 22 **"§ 94-9. Rotation of employment.**

23 For the purpose of providing greater diversity of training or continuity of employment, any
 24 apprentice agreement made under this Chapter may in the discretion of the Director of
 25 ~~Apprenticeship~~ ApprenticeshipNC be signed by an association of employers or an organization
 26 of employees instead of by an individual employer. In such a case, the apprentice agreement
 27 shall expressly provide that the association of employers or organization of employees does not
 28 assume the obligation of an employer but agrees to use its best endeavors to procure
 29 employment and training for such apprentice with one or more employers who will accept full
 30 responsibility, as herein provided, for all the terms and conditions of employment and training
 31 set forth in said agreement between the apprentice and employer association or employee
 32 organization during the period of each such employment. The apprentice agreement in such a
 33 case shall also expressly provide for the transfer of the apprentice, subject to the approval of the
 34 Director, to such employer or employers who shall sign in written agreement with the
 35 apprentice, and if the apprentice is a minor with his or her parent or guardian, as specified in
 36 G.S. 94-8, contracting to employ said apprentice for the whole or a definite part of the total
 37 period of apprenticeship under the terms and conditions of employment and training set forth in
 38 the said agreement entered into between the apprentice and employer association or employee
 39 organization.

40 ...
 41 **"§ 94-11. Limitation.**

42 Nothing in this Chapter or in any apprentice agreement approved under this Chapter shall
 43 operate to invalidate any apprenticeship provision in any collective agreement between
 44 employers and employees, setting up higher apprenticeship standards; provided, that none of
 45 the terms or provisions of this Chapter shall apply to any person, firm, corporation or crafts
 46 unless, until, and only so long as such person, firm, corporation or crafts voluntarily elects that
 47 the terms and provisions of this Chapter shall apply. Any person, firm, corporation or crafts
 48 terminating an apprenticeship agreement shall notify the Director of
 49 ~~Apprenticeship.~~ ApprenticeshipNC.

50"

1 **SECTION 15.13.(d)** Notwithstanding G.S. 94-2, as amended by this section, the
2 current members serving on the Apprenticeship Council as of July 1, 2017, shall serve the
3 remainder of their terms. Thereafter, as terms expire, or when a vacancy occurs prior to the
4 expiration of a term, members on the Apprenticeship Council shall be appointed by the State
5 Board of Community Colleges in accordance with G.S. 94-2, as amended by this section.

6 **SECTION 15.13.(e)** Of the Workforce Investment Act funds awarded to the North
7 Carolina Department of Commerce by the United States Department of Labor, the sum of three
8 hundred fifty thousand dollars (\$350,000) shall be transferred to the Community Colleges
9 System Office for the administration of ApprenticeshipNC on a recurring basis for the
10 2017-2019 fiscal biennium.

11 **SECTION 15.13.(f)** Within 90 days of the date this act becomes law, the
12 Department of Commerce shall submit a Workforce Innovation and Opportunity Act State Plan
13 amendment to the United States Department of Labor to designate the Community Colleges
14 System Office as the State agency responsible for the administration of ApprenticeshipNC as
15 provided for in this section.

16 **SUBPART XV-A. COMMERCE – STATE AID**

17 **NC BIOTECHNOLOGY CENTER**

18
19 **SECTION 15A.1.(a)** Of the funds appropriated in this act to the Department of
20 Commerce, the sum of twelve million nine hundred twenty thousand three hundred twenty-one
21 dollars (\$12,920,321) for each fiscal year in the 2017-2019 biennium shall be allocated to the
22 North Carolina Biotechnology Center (hereinafter "Center") for the following purposes:

- 23 (1) Job Creation: AgBiotech Initiative, Economic and Industrial Development,
24 and related activities – two million nine hundred twenty-four thousand
25 seventy-three dollars (\$2,924,073).
- 26 (2) Science and Commercialization: Science and Technology Development,
27 Centers of Innovation, Business and Technology Development, Education
28 and Training, and related activities – eight million seven hundred four
29 thousand two hundred sixteen dollars (\$8,704,216).
- 30 (3) Center Operations: Administration, Professional and Technical Assistance
31 and Oversight, Corporate Communications, Human Resource Management,
32 Financial and Grant Administration, Legal, and Accounting – one million
33 two hundred ninety-two thousand thirty-two dollars (\$1,292,032).

34 **SECTION 15A.1.(b)** No less than seventy-five percent (75%) of the State funds
35 disbursed pursuant to this section that are awarded by the Center shall be in the form of loans.

36 **SECTION 15A.1.(c)** Except to provide administrative flexibility, up to ten percent
37 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or
38 more of the other allocations in subsection (a) of this section if, in the judgment of Center
39 management, the reallocation will advance the mission of the Center. Funds allocated pursuant
40 to this section for the 2017-2018 fiscal year that are unexpended and unencumbered on June 30,
41 2018, and funds disbursed pursuant to this section for the 2018-2019 fiscal year that are
42 unexpended and unencumbered on June 30, 2019, shall revert to the General Fund.

43 **SECTION 15A.1.(d)** The Center shall provide an annual match of one non-State
44 dollar for every four State dollars allocated pursuant to this section. On or before April 1 of
45 each year of the 2017-2019 fiscal biennium, the Center shall provide appropriate
46 documentation to the Department of Commerce that the matching requirement has been
47 satisfied. The Department shall take action to recapture any funds allocated during either fiscal
48 year of the 2017-2019 fiscal biennium that have not met the matching requirement of this
49 subsection.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15A.2. High Point Furniture Market Authority, North Carolina Biotechnology Center, North Carolina Coastal Federation, and RTI International shall do the following for each year that State funds are expended:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, 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 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY**MODIFY DPS/CREATE NEW DEPARTMENT OF ADULT CORRECTION AND JUVENILE JUSTICE****CREATE DIVISION OF ALCOHOL LAW ENFORCEMENT IN THE DEPARTMENT OF PUBLIC SAFETY**

SECTION 16.1.(a) The Alcohol Law Enforcement Branch of the State Bureau of Investigation shall be relocated as a Division of the Department of Public Safety.

SECTION 16.1.(b) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart F. Alcohol Law Enforcement Division.

"§ 143B-990. Creation of Alcohol Law Enforcement Division of the Department of Public Safety.

There is created the Alcohol Law Enforcement Division in the Department of Public Safety with the organization, powers, and duties defined in Article 1 of this Chapter, except as modified in this Part."

SECTION 16.1.(c) G.S. 143B-928 is repealed.

SECTION 16.1.(d) G.S. 18B-500 reads as rewritten:

"§ 18B-500. Alcohol law-enforcement agents.

(a) Appointment. – ~~The Director of the State Bureau of Investigation~~Secretary of Public Safety shall appoint alcohol law-enforcement agents and other enforcement personnel. The ~~Director~~Secretary may also appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the Alcohol Law Enforcement ~~Branch~~Division for workers' compensation purposes while performing duties assigned or approved by the ~~Head Director~~Head's Director's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and

1 enforcement actions for any ~~eriminal offense~~. The ~~primary responsibility of an agent shall be~~
2 ~~enforcement of offense related to~~ the ABC and lottery laws.

3 ...

4 (g) Shifting of Personnel From One District to Another. – The ~~Head Director~~ of the
5 Alcohol Law Enforcement ~~Branch, Division~~, under rules adopted by the Department of Public
6 Safety may, from time to time, shift the forces from one district to another or consolidate more
7 than one district force at any point for special purposes. Whenever an agent of the Alcohol Law
8 Enforcement ~~Section Division~~ is transferred from one district to another for the convenience of
9 the State or for reasons other than the request of the agent, the Department shall be responsible
10 for transporting the household goods, furniture, and personal apparel of the agent and members
11 of the agent's household."

12 **SECTION 16.1.(e)** G.S. 18B-501(b) reads as rewritten:

13 "(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, a
14 local ABC officer may arrest and take other investigatory and enforcement actions for any
15 ~~eriminal offense; however, the primary responsibility of a local ABC officer is enforcement~~
16 ~~of offense related to~~ the ABC laws and Article 5 of Chapter 90 (The Controlled Substances
17 ~~Act) laws."~~

18 **SECTION 16.1.(f)** The Department of Public Safety shall continue to consolidate
19 Alcohol Law Enforcement and State Bureau of Investigation Regions and Regional Offices in
20 the same manner so that all district offices remain co-located.

21 **SECTION 16.1.(g)** G.S. 143B-919(c) reads as rewritten:

22 "**§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of**
23 **Governor; witness fees and mileage for employees.**

24 ...

25 (c) The State Bureau of Investigation is further authorized, upon request of the
26 Governor or the Attorney General, to investigate the commission or attempted commission of
27 the crimes defined in the following statutes:

28 (1) ~~All sections of~~ Article 4A of Chapter 14 of the General Statutes;

29 (1a) G.S. 14-43.11;

30 (2) G.S. 14-277.1;

31 (3) G.S. 14-277.2;

32 (4) G.S. 14-283;

33 (5) G.S. 14-284;

34 (6) G.S. 14-284.1;

35 (7) G.S. 14-288.2;

36 (8) G.S. 14-288.7;

37 (9) G.S. 14-288.8;

38 (10) G.S. 14-288.20;

39 (10a) G.S. 14-288.21;

40 (10b) G.S. 14-288.22;

41 (10c) G.S. 14-288.23;

42 (10d) G.S. 14-288.24;

43 (11) G.S. 14-284.2;

44 (12) G.S. 14-399(e);

45 (12a) G.S. 15A-287 and G.S. 15A-288;

46 (13) G.S. 130A-26.1;

47 (14) G.S. 143-215.6B;

48 (15) G.S. 143-215.88B; and

49 (16) G.S. 143-215.114B."

50 **SECTION 16.1.(h)** G.S. 143-651 reads as rewritten:

51 "**§ 143-651. Definitions.**

1 The following definitions apply in this Article:

2

3 (4a) ~~Branch. — The Alcohol Law Enforcement Branch of the State Bureau of~~
4 ~~Investigation.~~

5 ...

6 (7a) Division. — The Alcohol Law Enforcement Division of the Department of
7 Public Safety.

8 ...

9 (23b) Sanctioned amateur match. — Any match regulated by an amateur sports
10 organization that has been recognized and approved by the ~~Branch~~Division.

11"

12 **SECTION 16.1.(i)** The following statutes are amended by deleting the word
13 "Branch" wherever it appears in uppercase and substituting "Division": G.S. 18B-101(5),
14 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 18C-163(b),
15 19-2.1, 105-259(b)(15), and 143-652.1 through 143-656.

16 **SECTION 16.1.(j)** Notwithstanding any other provision of law, there shall be no
17 transfer of positions to or from the Alcohol Law Enforcement Branch (Budget Code 14550,
18 Fund Code 1401) and no changes to the total authorized budget of the Alcohol Law
19 Enforcement Branch, as it existed on March 1, 2017, prior to the transfer of the Alcohol Law
20 Enforcement Branch from the State Bureau of Investigation to the Department of Public Safety.
21 Under no circumstances shall funds be expended from Budget Code 24555-2410 – Law
22 Enforcement – ALE Federal Forfeiture – US DOJ or Budget Code 24555-2415 – Law
23 Enforcement – ALE Federal Forfeiture – US Treasury prior to the transfer of the Alcohol Law
24 Enforcement Branch to the Department of Public Safety, unless those expenditures were
25 reported to the General Assembly on or before March 1, 2017. This subsection shall not apply
26 to transfers of positions or changes to the total authorized budget of the Alcohol Law
27 Enforcement Branch that are expressly required by the Committee Report described in Section
28 39.2 of this act.

29
30 **CREATE DIVISION OF STATE CAPITOL POLICE IN THE DEPARTMENT OF**
31 **PUBLIC SAFETY**

32 **SECTION 16.1.(k)** The State Capitol Police Section of the State Highway Patrol
33 shall be relocated as a Division of the Department of Public Safety.

34 **SECTION 16.1.(l)** Subpart B of Part 4 of Article 13 of Chapter 143B of the
35 General Statutes reads as rewritten:

36 "Subpart B. State Capitol ~~Police~~Police Division.

37 "**§ 143B-911. Creation of State Capitol Police Section—Division; powers and duties.**

38 (a) ~~Section—Division Established. — There is hereby established, within the State~~
39 ~~Highway Patrol of the Department of Public Safety, There is created~~ the State Capitol Police
40 ~~Section, which shall be organized and staffed in accordance with applicable laws and~~
41 ~~regulations and within the limits of authorized appropriations. The Chief, special officers, and~~
42 ~~employees of the State Capitol Police Section are not considered members of the State~~
43 ~~Highway Patrol.~~Division of the Department of Public Safety with the organization, powers, and
44 duties defined in Article 1 of this Chapter, except as modified in this Part.

45 (b) Purpose. — The State Capitol Police ~~Section~~Division shall serve as a special police
46 agency of the Department of Public Safety. The Chief of the State Capitol Police, appointed by
47 the Secretary pursuant to G.S. 143B-602, with the approval of the Governor, may appoint as
48 special police officers such reliable persons as ~~he~~the Chief may deem necessary.

49"

50 **SECTION 16.1.(m)** G.S. 143B-602(8) reads as rewritten:

51 "**§ 143B-602. Powers and duties of the Secretary of Public Safety.**

1 The Secretary of Public Safety shall have the powers and duties as are conferred on the
2 Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the
3 Secretary by the Constitution and laws of this State. These powers and duties include the
4 following:

5 ...
6 (8) Other powers and duties. – The Secretary has the following additional
7 powers and duties:

8 ...
9 f. Appointing, with the Governor's approval, a special police officer to
10 serve as Chief of the State Capitol Police ~~Section of the State~~
11 ~~Highway Patrol Division.~~

12"

13 **SECTION 16.1.(n)** Notwithstanding any other provision of law, there shall be no
14 transfer of positions to or from the State Capitol Police Section (Budget Code 14550, Fund
15 Code 1402) and no changes to the total authorized budget of the State Capitol Police Section,
16 as it existed on March 1, 2017, prior to the transfer of the State Capitol Police from the State
17 Highway Patrol to the Department of Public Safety. This subsection shall not apply to transfers
18 of positions or changes to the total authorized budget of the State Capitol Police that are
19 expressly required by the Committee Report described in Section 39.2 of this act.

21 **CREATE DEPARTMENT OF ADULT CORRECTION AND JUVENILE JUSTICE**

22 **SECTION 16.1.(o)** The Department of Adult Correction and Juvenile Justice is
23 established as a new executive department. All functions, powers, duties, and obligations
24 vested in the following divisions are transferred to, vested in, and consolidated within the
25 Department of Adult Correction and Juvenile Justice by a Type I transfer, as defined in
26 G.S. 143A-6:

- 27 (1) The Division of Adult Correction of the Department of Public Safety.
28 (2) The Division of Juvenile Justice of the Department of Public Safety.

29 **SECTION 16.1.(p)** Chapter 143B of the General Statutes is amended by adding a
30 new Article to read:

31 "Article 16.

32 "Department of Adult Correction and Juvenile Justice.

33 "Part 1. General Provisions

34 **"§ 143B-1430. Organization.**

35 (a) There is established the Department of Adult Correction and Juvenile Justice. The
36 head of the Department of Adult Correction and Juvenile Justice is the Secretary of Adult
37 Correction and Juvenile Justice, who shall be known as the Secretary. The Department shall
38 consist of two divisions as follows:

- 39 (1) The Division of Adult Correction, which shall consist of the former Division
40 of Adult Correction of the Department of Public Safety. The head of the
41 Division of Adult Correction shall be a chief deputy secretary, who shall be
42 responsible for prisons, community corrections, correction enterprises,
43 alcoholism and chemical dependency treatment, offender records
44 management, and extradition.
45 (2) The Division of Juvenile Justice, which shall consist of the former Division
46 of Juvenile Justice of the Department of Public Safety. The head of the
47 Division of Juvenile Justice shall be a chief deputy secretary, who shall be
48 responsible for youth detention centers, court services, community
49 programs, and youth development centers.

1 (b) The powers and duties of the deputy secretaries and the divisions and directions of
2 the Department shall be subject to the direction and control of the Secretary of Adult
3 Correction and Juvenile Justice.

4 **"§ 143B-1431. Powers and duties of the Secretary.**

5 It shall be the duty of the Secretary of the Department of Adult Correction and Juvenile
6 Justice to do all of the following:

7 (1) To carry out the relevant provisions of Part 2 of this Article, Chapter 148 of
8 the General Statutes, Chapter 15 of the General Statutes, Chapter 15A of the
9 General Statutes, and other provisions of the General Statutes governing the
10 provision of necessary custody, supervision, and treatment to control and
11 rehabilitate criminal offenders and thereby reduce the rate and cost of crime
12 and delinquency.

13 (2) To carry out the relevant provisions of Part 3 of this Article, Chapter 7B of
14 the General Statutes, and other provisions of the General Statutes governing
15 juvenile justice and the prevention of delinquent acts by juveniles.

16 (3) To adopt rules and procedures for the implementation of this Article.

17 **"§ 143B-1433. Personnel of the Department of Adult Correction and Juvenile Justice.**

18 Notwithstanding G.S. 114-2.3, the Secretary of Adult Correction and Juvenile Justice shall
19 have the power to appoint all employees, including consultants and legal counsel, necessary to
20 carry out the powers and duties of the office. Employees shall be subject to the North Carolina
21 Human Resources Act, except employees in positions designated as exempt under
22 G.S. 126-5(d)(1) are not subject to the Act.

23 **"§ 143B-1434. Definitions.**

24 Except where provided otherwise, the following definitions apply in this Chapter:

25 (1) Department. – The Department of Adult Correction and Juvenile Justice.

26 (2) Secretary. – The Secretary of Adult Correction and Juvenile Justice."

27 **SECTION 16.1.(q)** Recodification of Division of Adult Correction. – Subpart A of
28 Part 2 of Article 13 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 2
29 of Article 16 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1450
30 through G.S. 143B-1464. Subpart C of Part 2 of Article 13 of Chapter 143B of the General
31 Statutes is recodified as Subpart B of Part 2 of Article 16 of Chapter 143B of the General
32 Statutes and renumbered as G.S. 143B-1470 through G.S. 143B-1472.

33 **SECTION 16.1.(r)** Recodification of Division of Juvenile Justice. – Subpart A of
34 Part 3 of Article 13 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 3
35 of Article 16 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1475
36 through G.S. 143B-1476. Subpart B of Part 3 of Article 13 of Chapter 143B of the General
37 Statutes is recodified as Subpart B of Part 3 of Article 16 of Chapter 143B of the General
38 Statutes and renumbered as G.S. 143B-1480 through G.S. 143B-1486. Subpart C of Part 3 of
39 Article 13 of Chapter 143B of the General Statutes is recodified as Subpart C of Part 3 of
40 Article 16 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1490 through
41 G.S. 143B-1497. Subpart D of Part 3 of Article 13 of Chapter 143B of the General Statutes is
42 recodified as Subpart D of Part 3 of Article 16 of Chapter 143B of the General Statutes and
43 renumbered as G.S. 143B-1500 through G.S. 143B-1501. Subpart E of Part 3 of Article 13 of
44 Chapter 143B of the General Statutes is recodified as Subpart E of Part 3 of Article 16 of
45 Chapter 143B of the General Statutes and renumbered as G.S. 143B-1505. Subpart F of Part 3
46 of Article 13 of Chapter 143B of the General Statutes is recodified as Subpart F of Part 3 of
47 Article 16 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1510 through
48 G.S. 143B-1517.

49 **SECTION 16.1.(s)** Part 2 of Article 16 of Chapter 143B of the General Statutes, as
50 recodified in subsection (q) of this section, reads as rewritten:

51 "Part 2. Division of Adult Correction.

1 "Subpart A. General Provisions.

2 "**§ 143B-1450. Division of Adult Correction of the Department of Public Safety**
3 **creation.**

4 There is hereby created and established a division to be known as the Division of Adult
5 Correction of the Department of ~~Public Safety~~ Adult Correction and Juvenile Justice with the
6 organization, powers, and duties hereafter defined in the Executive Organization Act of 1973.

7 "**§ 143B-1451. Division of Adult Correction of the Department of Public Safety**— **duties.**

8 It shall be the duty of the Division to provide the necessary custody, supervision, and
9 treatment to control and rehabilitate criminal offenders and thereby to reduce the rate and cost
10 of crime and delinquency.

11 "**§ 143B-1452. Division of Adult Correction of the Department of Public Safety**— **rules**
12 **and regulations.**

13 The Division of Adult Correction of the Department of ~~Public Safety~~ Adult Correction and
14 Juvenile Justice shall adopt rules and regulations related to the conduct, supervision, rights and
15 privileges of persons in its custody or under its supervision. Such rules and regulations shall be
16 filed with and published by the office of the Attorney General and shall be made available by
17 the Division for public inspection. The rules and regulations shall include a description of the
18 organization of the Division. A description or copy of all forms and instructions used by the
19 Division, except those relating solely to matters of internal management, shall also be filed with
20 the office of the Attorney General.

21 "**§ 143B-1453. Repair or replacement of personal property.**

22 (a) The Secretary of ~~Public Safety~~ Adult Correction and Juvenile Justice may adopt
23 rules governing repair or replacement of personal property items excluding private passenger
24 vehicles that belong to employees of State facilities within the Division of Adult Correction of
25 the Department of ~~Public Safety~~ Adult Correction and Juvenile Justice and that are damaged or
26 stolen by inmates of the State facilities provided that the item is determined by the Secretary to
27 be damaged or stolen on or off facility grounds during the performance of employment and
28 necessary for the employee to have in his possession to perform his assigned duty.

29 ...

30 (e) The Secretary of ~~Public Safety~~ Adult Correction and Juvenile Justice shall establish
31 by rule an appeals process consistent with Chapter 150B of the General Statutes.

32 "**§ 143B-1454. Division of Adult Correction of the Department of Public Safety**—
33 **functions.**

34 (a) The functions of the Division of Adult Correction of the Department of ~~Public~~
35 ~~Safety~~ Adult Correction and Juvenile Justice shall comprise, except as otherwise expressly
36 provided by the Executive Organization Act of 1973 or by the Constitution of North Carolina,
37 all functions of the executive branch of the State in relation to corrections and the rehabilitation
38 of adult offenders, including detention, parole, and aftercare supervision, and further including
39 those prescribed powers, duties, and functions enumerated in Article 14 of Chapter 143A of the
40 General Statutes and other laws of this State.

41 (b) All such functions, powers, duties, and obligations heretofore vested in the
42 Department of Social Rehabilitation and Control and any agency enumerated in Article 14 of
43 Chapter 143A of the General Statutes and laws of this State are hereby transferred to and vested
44 in the Division of Adult Correction of the Department of ~~Public Safety~~ Adult Correction and
45 Juvenile Justice except as otherwise provided by the Executive Organization Act of 1973. They
46 shall include, by way of extension and not of limitation, the functions of:

- 47 (1) The State Department of Correction and Commission of Correction,
- 48 (2) Repealed by Session Laws 1999-423, s. 8, effective July 1, 1999.
- 49 (3) The State Probation Commission,
- 50 (4) The State Board of Paroles,
- 51 (5) The Interstate Agreement on Detainers, and

1 (6) The Uniform Act for Out-of-State Parolee Supervision.

2 ...
3 **"§ 143B-1455. Division of Adult Correction of the Department of Public Safety—**
4 **Alcoholism and Chemical Dependency Treatment Program.**

5 (a) The Program established by ~~G.S. 143B-704~~ G.S. 143B-1454 shall be offered in
6 correctional facilities, or a portion of correctional facilities that are self-contained, so that the
7 residential and program space is separate from any other programs or inmate housing, and shall
8 be operational by January 1, 1988, at those facilities as the Secretary or the Secretary's designee
9 may designate.

10 (b) A Section Chief for the Alcoholism and Chemical Dependency Treatment Program
11 shall be employed and shall report directly to a deputy director for the Division of Adult
12 Correction as designated by the Chief Deputy Secretary for the Division of Adult Correction.
13 The duties of the Section Chief and staff shall include the following:

- 14 (1) Administer and coordinate all substance abuse programs, grants, contracts,
15 and related functions in the Division of Adult Correction of the Department
16 of ~~Public Safety~~ Adult Correction and Juvenile Justice.
- 17 (2) Develop and maintain working relationships and agreements with agencies
18 and organizations that will assist in developing and operating alcoholism and
19 chemical dependency treatment and recovery programs in the Division of
20 Adult Correction of the Department of ~~Public Safety~~ Adult Correction and
21 Juvenile Justice.
- 22 (3) Develop and coordinate the use of volunteers in the Substance Abuse
23 Program.
- 24 (4) Develop and present training programs related to alcoholism and chemical
25 dependency for employees and others at all levels in the agency.
- 26 (5) Develop programs that provide effective treatment for inmates, probationers,
27 and parolees with alcohol and chemical dependency problems.
- 28 (6) Maintain contact with key leaders in the alcoholism and chemical
29 dependency field, the service structure of various community recovery
30 programs, and active supporters of the Correction Program.
- 31 (7) Supervise directly the facility and district program managers, other
32 specialized personnel, and programs that exist or may be developed in the
33 Division of Adult Correction of the Department of ~~Public Safety~~ Adult
34 Correction and Juvenile Justice.

35 **"§ 143B-1457. Reports to the General Assembly.**

36 The Division of Adult Correction of the Department of ~~Public Safety~~ Adult Correction and
37 Juvenile Justice shall report by March 1 of each year to the Chairs of the Senate and House
38 Appropriations Committees and the Chairs of the Senate and House Appropriations
39 Subcommittees in Justice and Public Safety on their efforts to provide effective treatment to
40 offenders with substance abuse problems. The report shall include:

- 41 (1) Details of any new initiatives and expansions or reduction of programs.
- 42 (2) Details on any treatment efforts conducted in conjunction with other
43 departments.
- 44 (3) Utilization of the community-based programs at DART-Cherry and Black
45 Mountain Substance Abuse Treatment Center for Women.
- 46 (4), (5) Repealed by Session Laws 2007-323, s. 17.3(a), effective July 1, 2007.
- 47 (6) Statistical information on the number of current inmates with substance
48 abuse problems that require treatment, the number of treatment slots, the
49 number who have completed treatment, and a comparison of available
50 treatment slots to actual utilization rates. The report shall include this
51 information for each DOC funded program.

- 1 (7) Evaluation of each substance abuse treatment program funded by the
2 Division of Adult Correction of the Department of ~~Public Safety~~. Adult
3 Correction and Juvenile Justice. Evaluation measures shall include reduction
4 in alcohol and drug dependency, improvements in disciplinary and infraction
5 rates, recidivism (defined as return-to-prison rates), and other measures of
6 the programs' success.

7 **"§ 143B-1458. Report on probation and parole caseloads.**

8 (a) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall report
9 by March 1 of each year to the Chairs of the House of Representatives and Senate
10 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight
11 Committee on Justice and Public Safety on caseload averages for probation and parole officers.
12 The report shall include:

- 13 (1) Data on current caseload averages and district averages for probation/parole
14 officer positions.
15 (2) Data on current span of control for chief probation officers.
16 (3) An analysis of the optimal caseloads for these officer classifications.
17 (4) The number and role of paraprofessionals in supervising low-risk caseloads.
18 (5) The process of assigning offenders to an appropriate supervision level based
19 on a riskeeds assessment.
20 (6) Data on cases supervised solely for the collection of court-ordered payments.

21 (b) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall report
22 by March 1 of each year to the Chairs of the House of Representatives and Senate
23 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight
24 Committee on Justice and Public Safety on the following:

- 25 (1) The number of sex offenders enrolled on active and passive GPS monitoring.
26 (2) The caseloads of probation officers assigned to GPS-monitored sex
27 offenders.
28 (3) The number of violations.
29 (4) The number of absconders.
30 (5) The projected number of offenders to be enrolled by the end of the fiscal
31 year.

32 **"§ 143B-1459. Mutual agreement parole program report; medical release program
33 report.**

34 (a) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice and the
35 Post-Release Supervision and Parole Commission shall report by March 1 of each year to the
36 Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice
37 and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and
38 Public Safety on the number of inmates enrolled in the mutual agreement parole program, the
39 number completing the program and being paroled, and the number who enrolled but were
40 terminated from the program. The information should be based on the previous calendar year.

41 (b) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice and the
42 Post-Release Supervision and Parole Commission shall report by March 1 of each year to the
43 Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public
44 Safety, to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and
45 to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the
46 number of inmates proposed for release, considered for release, and granted release under
47 Article 84B of Chapter 15A of the General Statutes, providing for the medical release of
48 inmates who are either permanently and totally disabled, terminally ill, or geriatric.

49 **"§ 143B-1460. Medical costs for inmates and juvenile offenders.**

50 (a) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall
51 reimburse those providers and facilities providing approved medical services to inmates and

1 juvenile offenders outside the correctional or juvenile facility the lesser amount of either a rate
2 of seventy percent (70%) of the provider's then-current prevailing charge or two times the
3 then-current Medicaid rate for any given service. The Department shall have the right to audit
4 any given provider to determine the actual prevailing charge to ensure compliance with this
5 provision.

6 This section does apply to vendors providing services that are not billed on a fee-for-service
7 basis, such as temporary staffing. Nothing in this section shall preclude the Department from
8 contracting with a provider for services at rates that provide greater documentable cost
9 avoidance for the State than do the rates contained in this section or at rates that are less
10 favorable to the State but that will ensure the continued access to care.

11 (b) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall make
12 every effort to contain medical costs for inmates and juvenile offenders by making use of its
13 own hospital and health care facilities to provide health care services to inmates and juvenile
14 offenders. To the extent that the Department of ~~Public Safety~~ Adult Correction and Juvenile
15 Justice must utilize other facilities and services to provide health care services to inmates and
16 juvenile offenders, the Department shall make reasonable efforts to make use of hospitals or
17 other providers with which it has a contract or, if none is reasonably available, hospitals with
18 available capacity or other health care facilities in a region to accomplish that goal. The
19 Department shall make reasonable efforts to equitably distribute inmates and juvenile offenders
20 among all hospitals or other appropriate health care facilities.

21 (c) The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall report
22 quarterly to the Joint Legislative Oversight Committee on Justice and Public Safety and the
23 chairs of the House of Representatives and Senate Appropriations Committees on Justice and
24 Public Safety on:

- 25 (1) The percentage of the total inmates and juvenile offenders requiring
26 hospitalization or hospital services who receive that treatment at each
27 hospital.
- 28 (2) through (4) Repealed by Session Laws 2016-94, s. 17C.2A, effective July 1,
29 2016.
- 30 (4a) The volume of scheduled and emergent services listed by hospital and, of
31 that volume, the number of those services that are provided by contracted
32 and noncontracted providers.
- 33 (4b) The volume of scheduled and emergent admissions listed by hospital and, of
34 that volume, the percentage of those services that are provided by contracted
35 and noncontracted providers.
- 36 (5) The volume of inpatient medical services provided to Medicaid-eligible
37 inmates and juvenile offenders, the cost of treatment, the estimated savings
38 of paying the nonfederal portion of Medicaid for the services, and the length
39 of time between the date the claim was filed and the date the claim was paid.
- 40 (5a) The status of the implementation of the claims processing system and efforts
41 to address the backlog of unpaid claims.
- 42 (6) The hospital utilization, including the amount paid to individual hospitals,
43 the number of inmates and juvenile offenders served, the number of claims,
44 and whether the hospital was a contracted or noncontracted facility.
- 45 (7) The total cost and volume for the previous fiscal quarter for emergency room
46 visits originating from Central Prison and NCCIW Hospitals to UNC
47 Hospitals, UNC Rex Healthcare, and WakeMed Hospital.
- 48 (8) The total payments for Medicaid and nonMedicaid eligible inmates to UNC
49 Hospitals, UNC Rex Healthcare, and WakeMed Hospital, including the
50 number of days between the date the claim was filed and the date the claim
51 was paid.

1 (9) A list of hospitals under contract.
2 Reports submitted on August 1 shall include totals for the previous fiscal year for all the
3 information requested.

4 ~~(d) The Department of Public Safety shall study whether contracts to provide inmate~~
5 ~~health services can be expanded to additional hospitals. The Department shall report the~~
6 ~~findings of its study to the chairs of the House of Representatives and Senate Appropriations~~
7 ~~Committees on Justice and Public Safety no later than February 1, 2017. The report shall~~
8 ~~include a list of hospitals considered for expansion and reasons for or against expanding to each~~
9 ~~hospital.~~

10 **"§ 143B-1461. Annual report on safekeepers.**

11 The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall report by
12 October 1 of each year to the chairs of the House of Representatives and Senate Appropriations
13 Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight
14 Committee on Justice and Public Safety on county prisoners housed in the State prison system
15 pursuant to safekeeping orders under G.S. 162-39. The report shall include:

- 16 (1) The number of safekeepers currently housed by the Department.
- 17 (2) A list of the facilities where safekeepers are housed and the population of
18 safekeepers by facility.
- 19 (3) The average length of stay by a safekeeper in one of those facilities.
- 20 (4) The amount paid by counties for housing and extraordinary medical care of
21 safekeepers.
- 22 (5) A list of the counties in arrears for safekeeper payments owed to the
23 Department at the end of the fiscal year.

24 **"§ 143B-1462. Community service program.**

25 (a) The Division of Adult Correction of the Department of ~~Public Safety~~ Adult
26 Correction and Juvenile Justice may conduct a community service program. The program shall
27 provide oversight of offenders placed under the supervision of the Section of Community
28 Corrections of the Division of Adult Correction and ordered to perform community service
29 hours for criminal violations, including driving while impaired violations under G.S. 20-138.1.
30 This program shall assign offenders, either on supervised or on unsupervised probation, to
31 perform service to the local community in an effort to promote the offender's rehabilitation and
32 to provide services that help restore or improve the community. The program shall provide
33 appropriate work site placement for offenders ordered to perform community service hours.
34 The Division may adopt rules to conduct the program. Each offender shall be required to
35 comply with the rules adopted for the program.

36 (b) The Secretary of ~~Public Safety~~ Adult Correction and Juvenile Justice may assign
37 one or more employees to each district court district as defined in G.S. 7A-133 to assure and
38 report to the Court the offender's compliance with the requirements of the program. Each
39 county shall provide office space in the courthouse or other convenient place, for the use of the
40 employees assigned to that county.

41 ...
42 **"§ 143B-1463. Security Staffing.**

43 (a) The Division of Adult Correction of the Department of ~~Public Safety~~ Adult
44 Correction and Juvenile Justice shall conduct:

- 45 (1) On-site postaudits of every prison at least once every three years;
- 46 (2) Regular audits of postaudit charts through the automated postaudit system;
47 and
- 48 (3) Other staffing audits as necessary.

49 (b) The Division of Adult Correction of the Department of ~~Public Safety~~ Adult
50 Correction and Juvenile Justice shall update the security staffing relief formula at least every
51 three years. Each update shall include a review of all annual training requirements for security

1 staff to determine which of these requirements should be mandatory and the appropriate
2 frequency of the training. The Division shall survey other states to determine which states use a
3 vacancy factor in their staffing relief formulas.

4 **"§ 143B-1464. Division of Adult Correction of the Department of Public Safety—
5 organization.**

6 The Division of Adult Correction of the Department of ~~Public Safety~~ Adult Correction and
7 Juvenile Justice shall be organized initially to include the Post-Release Supervision and Parole
8 Commission, the Section of Prisons of the Division of Adult Correction, the Section of
9 Community Corrections, the Section of Alcoholism and Chemical Dependency Treatment
10 Programs, and such other divisions as may be established under the provisions of the Executive
11 Organization Act of 1973.

12 "Subpart B. Parole Commission.

13 **"§ 143B-1470. Post-Release Supervision and Parole Commission – creation, powers, and
14 duties.**

15 (a) There is hereby created a Post-Release Supervision and Parole Commission of the
16 Division of Adult Correction of the Department of ~~Public Safety~~ Adult Correction and Juvenile
17 Justice with the authority to grant paroles, including both regular and temporary paroles, to
18 persons held by virtue of any final order or judgment of any court of this State as provided in
19 Chapter 148 of the General Statutes and laws of the State of North Carolina, except that
20 persons sentenced under Article 81B of Chapter 15A of the General Statutes are not eligible for
21 parole but may be conditionally released into the custody and control of United States
22 Immigration and Customs Enforcement pursuant to G.S. 148-64.1. The Commission shall also
23 have authority to revoke, terminate, and suspend paroles of such persons (including persons
24 placed on parole on or before the effective date of the Executive Organization Act of 1973) and
25 to assist the Governor in exercising his authority in granting reprieves, commutations, and
26 pardons, and shall perform such other services as may be required by the Governor in
27 exercising his powers of executive clemency. The Commission shall also have authority to
28 revoke and terminate persons on post-release supervision, as provided in Article 84A of
29 Chapter 15A of the General Statutes. The Commission shall also have the authority to punish
30 for criminal contempt for willful refusal to accept post-release supervision or to comply with
31 the terms of post-release supervision by a prisoner whose offense requiring post-release
32 supervision is a reportable conviction subject to the registration requirement of Article 27A of
33 Chapter 14 of the General Statutes. Any contempt proceeding conducted by the Commission
34 shall be in accordance with G.S. 5A-15 as if the Commission were a judicial official.

35 ...

36 (c) The Commission is authorized and empowered to adopt such rules and regulations,
37 not inconsistent with the laws of this State, in accordance with which prisoners eligible for
38 parole consideration may have their cases reviewed and investigated and by which such
39 proceedings may be initiated and considered. All rules and regulations heretofore adopted by
40 the Board of Paroles shall remain in full force and effect unless and until repealed or
41 superseded by action of the Post-Release Supervision and Parole Commission. All rules and
42 regulations adopted by the Commission shall be enforced by the Division of Adult Correction
43 of the Department of ~~Public Safety~~ Adult Correction and Juvenile Justice.

44 ...

45 **"§ 143B-1471. Post-Release Supervision and Parole Commission – members; selection;
46 removal; chair; compensation; quorum; services.**

47 ...

48 (f) All clerical and other services required by the Commission shall be supplied by the
49 Secretary of the Department of ~~Public Safety~~ Adult Correction and Juvenile Justice.

50 **"§ 143B-1472. 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~~, Adult Correction and Juvenile Justice, 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.

...."

SECTION 16.1.(t) Part 3 of Article 16 of Chapter 143B of General Statutes as recodified in subsection (r) of this section reads as rewritten:

"Part 3. Division of Juvenile Justice.

"Subpart A. Creation of Division.

"§ 143B-1475. Creation of the Division of Juvenile Justice of the Department of ~~Public Safety~~, Adult Correction and Juvenile Justice.

There is hereby created and constituted a division to be known as the "Division of Juvenile Justice of the Department of ~~Public Safety~~", Adult Correction and Juvenile Justice," with the organization, powers, and duties defined in ~~Article 1~~ Part 1 of Article 16 of this Chapter, except as modified in this ~~Part~~, Subpart.

~~"§ 143B-1476. Transfer of Office of Juvenile Justice authority to the Division of Juvenile Justice of the Department of Public Safety.~~

~~(a) All (i) statutory authority, powers, duties, and functions, including directives of S.L. 1998-202, rule making, budgeting, and purchasing, (ii) records, (iii) personnel, personnel positions, and salaries, (iv) property, and (v) unexpended balances of appropriations, allocations, reserves, support costs, and other funds of the Office of Juvenile Justice under the Office of the Governor are transferred to and vested in the Division of Juvenile Justice of the Department of Public Safety. This transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6.~~

~~(b) The Division shall be considered a continuation of the Office of Juvenile Justice for the purpose of succession to all rights, powers, duties, and obligations of the Office and of those rights, powers, duties, and obligations exercised by the Office of the Governor on behalf of the Office of Juvenile Justice. Where the Office of Juvenile Justice is referred to by law, contract, or other document, that reference shall apply to the Division. Where the Office of the Governor is referred to by contract or other document, where the Office of the Governor is acting on behalf of the Office of Juvenile Justice, that reference shall apply to the Division.~~

~~(c) All institutions previously operated by the Office of Juvenile Justice and the present central office of the Office of Juvenile Justice, including land, buildings, equipment, supplies, personnel, or other properties rented or controlled by the Office or by the Office of the Governor for the Office of Juvenile Justice, shall be administered by the Division of Juvenile Justice of the Department of Public Safety.~~

"Subpart B. General Provisions.

"§ 143B-1480. Definitions.

In this Part, unless the context clearly requires otherwise, the following words have the listed meanings:

- (1) Chief court counselor. – The person responsible for administration and supervision of juvenile intake, probation, and post-release supervision in each judicial district, operating under the supervision of the Division of Juvenile Justice of the Department of ~~Public Safety~~, Adult Correction and Juvenile Justice.

...

1 (10) Division. – The Division of Juvenile Justice of the Department of ~~Public~~
2 ~~Safety~~Adult Correction and Juvenile Justice.

3 ...

4 (19) Secretary. – ~~The Secretary of Public Safety~~As defined in
5 G.S. 143B-1434(2).

6 ...

7 **"§ 143B-1481. Duties and powers of the Division of Juvenile Justice of the Department of**
8 **Public Safety**Justice.

9 (a) Repealed by Session Laws 2013-289, s. 5, effective July 18, 2013.

10 (b) The Secretary shall have the following powers and duties and may delegate those
11 powers and duties to the appropriate deputy secretary, commissioner, or director within the
12 Department of ~~Public Safety~~Adult Correction and Juvenile Justice:

13 ...

14 (c) Except as otherwise specifically provided in this Part and in Article 1 of this
15 Chapter, the Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice shall prescribe
16 the functions, powers, duties, and obligations of every agency or section in the Division.

17 ...

18 **"§ 143B-1484. Teen court programs.**

19 (a) All teen court programs administered by the Division of Juvenile Justice of the
20 Department of ~~Public Safety~~Adult Correction and Juvenile Justice shall operate as community
21 resources for the diversion of juveniles pursuant to G.S. 7B-1706(c). A juvenile diverted to a
22 teen court program shall be tried by a jury of other juveniles, and, if the jury finds the juvenile
23 has committed the delinquent act, the jury may assign the juvenile to a rehabilitative measure or
24 sanction, including counseling, restitution, curfews, and community service.

25 Teen court programs may also operate as resources to the local school administrative units
26 to handle problems that develop at school but that have not been turned over to the juvenile
27 authorities.

28 (b) Every teen court program that receives funds from Juvenile Crime Prevention
29 Councils shall comply with rules and reporting requirements of the Division of Juvenile Justice
30 of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice.

31 **"§ 143B-1485. Youth Development Center annual report.**

32 The Department of ~~Public Safety~~Adult Correction and Juvenile Justice shall report by
33 October 1 of each year to the Chairs of the House of Representatives and Senate
34 Appropriations Subcommittees on Justice and Public Safety, the Chairs of the Joint Legislative
35 Oversight Committee on Justice and Public Safety, and the Fiscal Research Division of the
36 Legislative Services Commission on the Youth Development Center (YDC) population,
37 staffing, and capacity in the preceding fiscal year. Specifically, the report shall include all of
38 the following:

39 (1) The on-campus population of each YDC, including the county the juveniles
40 are from.

41 (2) The housing capacity of each YDC.

42 (3) A breakdown of staffing for each YDC, including number, type of position,
43 position title, and position description.

44 (4) The per-bed and average daily population cost for each facility.

45 (5) The operating cost for each facility, including personnel and nonpersonnel
46 items.

47 (6) A brief summary of the treatment model, education, services, and plans for
48 reintegration into the community offered at each facility.

49 (7) The average length of stay in the YDCs.

50 (8) The number of incidents of assaults and attacks on staff at each facility.

1 **"§ 143B-1486. Annual evaluation of community programs and multiple purpose group**
2 **homes.**

3 The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall conduct an
4 annual evaluation of the community programs and of multipurpose group homes. In conducting
5 the evaluation of each of these, the Department shall consider whether participation in each
6 program results in a reduction of court involvement among juveniles. The Department shall
7 also determine whether the programs are achieving the goals and objectives of the Juvenile
8 Justice Reform Act, S.L. 1998-202.

9 The Department shall report the results of the evaluation to the Chairs of the Joint
10 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and
11 House of Representatives Appropriations Subcommittees on Justice and Public Safety by
12 March 1 of each year.

13 "Subpart C. Juvenile Facilities.

14 ...

15 **"§ 143B-1497. Juvenile facility monthly commitment report.**

16 The Department of ~~Public Safety~~ Adult Correction and Juvenile Justice shall report
17 electronically on the first day of each month to the Fiscal Research Division regarding each
18 juvenile correctional facility and the average daily population for the previous month. The
19 report shall include (i) the average daily population for each detention center and (ii) the
20 monthly summary of the Committed Youth Report.

21 "Subpart D. Juvenile Court Services.

22 ...

23 "Subpart F. Juvenile Crime Prevention Councils.

24 ...

25 **"§ 143B-1517. Department of ~~Public Safety~~ Adult Correction and Juvenile Justice to**
26 **report on Juvenile Crime Prevention Council grants.**

27 (a) On or before February 1 of each year, the Department of ~~Public Safety~~ Adult
28 Correction and Juvenile Justice shall submit to the Chairs of the Joint Legislative Commission
29 on Governmental Operations and the Chairs of the Senate and House of Representatives
30 Appropriations Subcommittees on Justice and Public Safety a list of the recipients of the grants
31 awarded, or preapproved for award, from funds appropriated to the Department for local
32 Juvenile Crime Prevention Council (JCPC) grants, including the following information:

- 33 (1) The amount of the grant awarded.
- 34 (2) The membership of the local committee or council administering the award
35 funds on the local level.
- 36 (3) The type of program funded.
- 37 (4) A short description of the local services, programs, or projects that will
38 receive funds.
- 39 (5) Identification of any programs that received grant funds at one time but for
40 which funding has been eliminated by the Department.
- 41 (6) The number of at-risk, diverted, and adjudicated juveniles served by each
42 county.
- 43 (7) The Department's actions to ensure that county JCPCs prioritize funding for
44 dispositions of intermediate and community-level sanctions for
45 court-adjudicated juveniles under minimum standards adopted by the
46 Department.
- 47 (8) The total cost for each funded program, including the cost per juvenile and
48 the essential elements of the program.

49 (b) On or before February 1 of each year, the Department of ~~Public Safety~~ Adult
50 Correction and Juvenile Justice shall send to the Fiscal Research Division of the Legislative

1 Services Commission an electronic copy of the list and information required under subsection
2 (a) of this section."
3

4 CONFORMING CHANGES

5 **SECTION 16.1.(u)** G.S. 143B-1104 is recodified as G.S. 143B-1435.

6 **SECTION 16.1.(v)** G.S. 143B-1435, as recodified in subsection (u) of this section,
7 reads as rewritten:

8 "§ 143B-1435. Funding for programs.

9 (a) Annually, the ~~Division of Administration~~ Department shall develop and implement
10 a funding mechanism for programs that meet the standards developed under Subpart F of Part 3
11 of Article ~~13~~16 of Chapter 143B of the General Statutes. The ~~Division~~ Department shall ensure
12 that the guidelines for the State and local partnership's funding process include the following
13 requirements:

- 14 (1) Fund effective programs. – The ~~Division~~ Department shall fund programs
15 that it determines to be effective in preventing delinquency and recidivism.
16 Programs that have proven to be ineffective shall not be funded.
17

17 ...

18 (b) The ~~Division~~ Department shall adopt rules to implement this section. The ~~Division~~
19 Department shall provide technical assistance to County Councils and shall require them to
20 evaluate all State-funded programs and services on an ongoing and regular basis.

21 (c) The Division of Juvenile Justice of the Department of ~~Public Safety~~ Adult
22 Correction and Juvenile Justice shall report to the Senate and House of Representatives
23 Appropriations Subcommittees on Justice and Public Safety no later than March 1, 2006, and
24 annually thereafter, on the results of the alternatives to commitment demonstration programs
25 funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports thereafter
26 shall also include projects funded by Section 16.11 of S.L. 2005-276 for the 2005-2006 fiscal
27 year. Specifically, the report shall provide a detailed description of each of the demonstration
28 programs, including the numbers of juveniles served, their adjudication status at the time of
29 service, the services/treatments provided, the length of service, the total cost per juvenile, and
30 the six- and 12-month recidivism rates for the juveniles after the termination of program
31 services."

32 **SECTION 16.1.(w)** Subdivisions (11) through (12) of G.S. 143B-601 are repealed.

33 **SECTION 16.1.(x)** The following statutes are amended by deleting the phrase
34 "Public Safety" wherever it appears and substituting the phrase "Adult Correction and Juvenile
35 Justice": G.S. 1-110(b), 7A-109.3, 7A-302, 7A-313, 7A-451(e1), 7A-474.3(c)(4),
36 7A-474.18(c), 7A-498.3(a), 7B-2204, 7B-2517, 7B-3000(b)(5), 7B-3001(d), 7B-3001(a),
37 7B-4002, 14-202(m)(2), 14-208.6(2), 14-208.20(b), 14-208.22(c), 14-208.40(a), 14-208.43(d1),
38 14-208.45(a), 14-239, 14-258.1, 14-258.3, 14-258.4(a), 14-269(b)(9), 14-316.1, 14-415.10,
39 15-6.1, 15-10.1, 15-10.2, 15-10.3, 15-188, 15-194(a), 15-196.3, 15-203, 15-204, 15-205,
40 15-206, 15-207, 15-209, 15A-145(c), 15A-145.1(b), 15A-146(b), 15A-147, 15A-149(b),
41 15A-534(a), 15A-534.1(a)(2), 15A-544.3(b), 15A-544.5(b)(6), 15A-615(c), 15A-821(a),
42 15A-830(a), 15A-832(g), 15A-1332(c), 15A-1340.13(d), 15A-1340.16(d), 15A-1340.18(b),
43 15A-1340.20(d), 15A-1340.36, 15A-1342(a1), 15A-1343, 15A-1343.2, 15A-1343.3,
44 15A-1344, 15A-1351(a), 15A-1352, 15A-1353(f), 15A-1354(b), 15A-1355, 15A-1368(a)(2),
45 15A-1368.2, 15A-1368.3(c)(3), 15A-1368.4, 15A-1368.6, 15A-1369, 15A-1371, 15A-1374(b),
46 15A-1376, 15A-2000(e)(8), 15B-21(8), 15B-21(9), 15B-31, 15B-32(a), 20-19(e2), 20-28(a1),
47 20-81.12(b38), 20-179, 50-13.2(b2), 65-4, 66-25(b), 66-58, 108A-14(a)(9), 114-12.1(b),
48 115C-106.3(11), 105C-107.6, 115C-108.1, 115C-296.2(b)(1), 115C-325(p), 115C-325.10,
49 115D-1, 115D-5(b)(2), 122C-22(a)(10), 122-55(c), 122C-62(b)(4), 122C-113(b1),
50 122C-117(a), 122C-312, 122C-313, 122C-402, 122C-421(b), 126-5(c3), 127A-54(c),
51 130A-25(b), 131E-98, 131E-184(d), 131E-214.1(3), 143-63.1(d), 143-138(g), 143-166.2(d),

1 143-166.13(a)(2), 143-166.13(a)(4), 143-166.13(a)(9), 143-166.13(b)(2), 143-300.7, 143-599,
 2 143B-152.14, 143B-153(2), 143B-179(a)(1), 143B-1391(b)(1), 146-33, 147-12(b), 148-2,
 3 148-3, 148-4, 148-4.1, 148-5, 148-6, 148-10, 148-10.1, 148-10.2, 148-10.3, 148-10.4(a),
 4 148-10.5, 148-11(b), 148-12(a), 148-13, 148-18.1, 148-19, 148-19.1, 148-19.2, 148-20, 148-22,
 5 148-22.1, 148-23, 148-23.1, 148-23.2, 148-24, 148-25, 148-26, 148-26.5, 148-28, 148-29,
 6 148-32.1, 148-32.2, 148-33, 148-33.1, 148-33.2, 148-36, 148-37, 148-37.3(a), 148-40, 148-41,
 7 148-45, 148-46, 148-46.1, 148-46.2, 148-53, 148-54, 148-57, 148-59, 148-64, 148-64.1,
 8 148-65.7(a), 148-65.9, 148-66, 148-67, 148-70, 148-74, 148-78, 148-118.1, 148-118.2(a),
 9 148-118.4, 148-118.5, 148-118.6, 148-118.8, 148-118.9, 148-121, 148-22, 148-128,
 10 153A-221(b), 153A-221.1, 153A-230.1(2), 153A-230.2(b), 153A-230.3, 153A-230.5(b),
 11 162-39, 163-82.20A, 164-40, 164-43. Nothing in this subsection shall be construed to require
 12 deletion or substitution of the phrase "public safety".

13 **SECTION 16.1.(y)** G.S. 7B-4002 reads as rewritten:

14 **"§ 7B-4002. Implementation of the Compact.**

15 (a) The North Carolina State Council for Interstate Juvenile Supervision is hereby
 16 established. The Secretary of ~~Public Safety~~, Adult Correction and Juvenile Justice, or the
 17 Secretary's designee, shall serve as the Compact Administrator for the State of North Carolina
 18 and as North Carolina's Commissioner to the Interstate Commission. The Secretary of ~~Public~~
 19 ~~Safety~~, Adult Correction and Juvenile Justice, or the Secretary's designee, is a member of the
 20 State Council and serves as chairperson of the State Council. In addition to the chairperson, the
 21 State Council shall consist of 10 members as follows:

- 22 (1) One member representing the executive branch, to be appointed by the
 23 Governor;
- 24 (2) One member from a victim's assistance group, to be appointed by the
 25 Governor;
- 26 (3) One at-large member, to be appointed by the Governor;
- 27 (4) One member of the Senate, to be appointed by the President Pro Tempore of
 28 the Senate;
- 29 (5) One member of the House of Representatives, to be appointed by the
 30 Speaker of the House of Representatives;
- 31 (6) A district court judge, to be appointed by the Chief Justice of the Supreme
 32 Court; and
- 33 (7) Four members representing the juvenile court counselors, to be appointed by
 34 the Secretary of ~~Public Safety~~, Adult Correction and Juvenile Justice.

35 ...
 36 (e) The State Council shall act in an advisory capacity to the Secretary of ~~Public Safety~~
 37 Adult Correction and Juvenile Justice concerning this State's participation in Interstate
 38 Commission activities and other duties as may be determined by each member state, including
 39 recommendations for policy concerning the operations and procedures of the Compact within
 40 this State.

41"

42 **SECTION 16.1.(z)** G.S. 7B-1501 reads as rewritten:

43 **"§ 7B-1501. Definitions.**

44 In this Subchapter, unless the context clearly requires otherwise, the following words have
 45 the listed meanings. The singular includes the plural, unless otherwise specified.

- 46 (1) Chief court counselor. – The person responsible for administration and
 47 supervision of juvenile intake, probation, and post-release supervision in
 48 each judicial district, operating under the supervision of the Division of
 49 Juvenile Justice of the Department of ~~Public Safety~~, Adult Correction and
 50 Juvenile Justice.

51 ...

1 (10a) Division. – The Division of Juvenile Justice of the Department of ~~Public~~
2 ~~Safety~~Adult Correction and Juvenile Justice created under Article ~~12-16~~ of
3 Chapter 143B of the General Statutes.

4"

5 **SECTION 16.1.(aa)** G.S. 15-10.2 reads as rewritten:

6 "**§ 15-10.2. Mandatory disposition of detainees – request for final disposition of charges;**
7 **continuance; information to be furnished prisoner.**

8 (a) Any prisoner serving a sentence or sentences within the State prison system who,
9 during his term of imprisonment, shall have lodged against him a detainer to answer to any
10 criminal charge pending against him in any court within the State, shall be brought to trial
11 within eight months after he shall have caused to be sent to the district attorney of the court in
12 which said criminal charge is pending, by registered mail, written notice of his place of
13 confinement and request for a final disposition of the criminal charge against him; said request
14 shall be accompanied by a certificate from the Secretary of ~~Public Safety~~Adult Correction and
15 Juvenile Justice stating the term of the sentence or sentences under which the prisoner is being
16 held, the date he was received, and the time remaining to be served; provided that, for good
17 cause shown in open court, the prisoner or his counsel being present, the court may grant any
18 necessary and reasonable continuance.

19 (b) The Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice shall, upon
20 request by the prisoner, inform the prisoner in writing of the source and contents of any charge
21 for which a detainer shall have been lodged against such prisoner as shown by said detainer,
22 and furnished the prisoner with the certificate referred to in subsection (a)."

23 **SECTION 16.1.(bb)** G.S. 17C-3(a) reads as rewritten:

24 "(a) There is established the North Carolina Criminal Justice Education and Training
25 Standards Commission, hereinafter called "the Commission." The Commission shall be
26 composed of 31 members as follows:

27 ...

28 (6) ~~Adult Correction and Juvenile Justice.~~ – Four correctional officers in
29 management positions employed by ~~the Division of Adult Correction and~~
30 ~~Juvenile Justice of the Department of Public Safety~~Adult Correction and
31 Juvenile Justice shall be appointed, two from the Section of Community
32 Corrections upon the recommendation of the Speaker of the House of
33 Representatives and two from the Section of Prisons upon the
34 recommendation of the President Pro Tempore of the Senate. Appointments
35 by the General Assembly shall be made in accordance with G.S. 120-122.
36 Appointments by the General Assembly shall serve two-year terms to
37 conclude on June 30th in odd-numbered years or until the appointee no
38 longer serves in a management position with the ~~Division of Adult~~
39 ~~Correction,~~Department of Adult Correction and Juvenile Justice, whichever
40 occurs first. The Governor shall appoint one correctional officer employed
41 by the Division of Adult Correction of ~~the Department of Public Safety~~ and
42 assigned to the Office of Staff Development and Training, and one juvenile
43 justice officer employed by the ~~Section~~Division of Juvenile Justice. The
44 Governor's appointments shall serve three-year terms or until the appointee
45 is no longer assigned to the Office of Staff Development and Training or is
46 no longer a juvenile justice officer, whichever occurs first."

47 **SECTION 16.1.(cc)** G.S. 97-13(c) reads as rewritten:

48 "(c) Prisoners. – This Article shall not apply to prisoners being worked by the State or
49 any subdivision thereof, except to the following extent: Whenever any prisoner assigned to the
50 Division of Adult Correction of the Department of ~~Public Safety~~Adult Correction and Juvenile
51 Justice shall suffer accidental injury or accidental death arising out of and in the course of the

1 employment to which he had been assigned, if there be death or if the results of such injury
 2 continue until after the date of the lawful discharge of such prisoner to such an extent as to
 3 amount to a disability as defined in this Article, then such discharged prisoner or the
 4 dependents or next of kin of such discharged prisoner may have the benefit of this Article by
 5 applying to the Industrial Commission as any other employee; provided, such application is
 6 made within 12 months from the date of the discharge; and provided further that the maximum
 7 compensation to any prisoner or to the dependents or next of kin of any deceased prisoner shall
 8 not exceed thirty dollars (\$30.00) per week and the period of compensation shall relate to the
 9 date of his discharge rather than the date of the accident. If any person who has been awarded
 10 compensation under the provisions of this subsection shall be recommitted to prison upon
 11 conviction of an offense committed subsequent to the award, such compensation shall
 12 immediately cease. Any awards made under the terms of this subsection shall be paid by the
 13 Department of ~~Public Safety~~ Adult Correction and Juvenile Justice from the funds available for
 14 the operation of the Division of Adult ~~Correction~~ of the Department of Public
 15 Safety Correction. The provisions of G.S. 97-10.1 and 97-10.2 shall apply to prisoners and
 16 discharged prisoners entitled to compensation under this subsection and to the State in the same
 17 manner as said section applies to employees and employers."

18 **SECTION 16.1.(dd)** G.S. 105-259(b) reads as rewritten:

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

25 ...

- 26 (15) To exchange information concerning a tax imposed by Articles 2A, 2C, or
 27 2D of this Chapter with one of the following agencies when the information
 28 is needed to fulfill a duty imposed on the Department or the agency:
- 29 a. The North Carolina Alcoholic Beverage Control Commission.
 - 30 b. The Alcohol Law Enforcement Branch of the Department of Public
 31 Safety.
 - 32 c. The Bureau of Alcohol, Tobacco, and Firearms of the United States
 33 Department of Justice.
 - 34 d. Law enforcement agencies.
 - 35 e. The Section of Community Corrections of the Division of Adult
 36 Correction of the Department of ~~Public Safety~~ Adult Correction and
 37 Juvenile Justice.

38"

39 **SECTION 16.1.(ee)** G.S. 115C-108.2 reads as rewritten:

40 "**§ 115C-108.2. Interlocal cooperation.**

41 The Board, any two or more local educational agencies, and any other agency and any State
 42 department, agency, or division having responsibility for the education, treatment, or
 43 habilitation of children with disabilities may enter into interlocal cooperative undertakings
 44 under Part 1 of Article 20 of Chapter 160A of the General Statutes or into undertakings with a
 45 State agency such as the Departments of Public Instruction, Health and Human Services,
 46 ~~Juvenile Justice and Delinquency Prevention, or Correction, or Adult Correction and Juvenile~~
 47 Justice, or their divisions, agencies, or units, for the purpose of providing for the special
 48 education and related services, treatment, or habilitation of these children within the
 49 jurisdiction of the agency or unit, and shall do so when it is unable to provide the appropriate
 50 public special education or related services for these children. In entering into such
 51 undertakings, the local agency and State department, agency, or division shall also contract to

1 provide the special education or related services that are educationally appropriate to the
 2 children with disabilities for whose benefit the undertaking is made and provide these services
 3 by or in the local agency unit or State department, agency, or division located in the place most
 4 convenient to these children."

5 **SECTION 16.1.(ff)** G.S. 115C-250(a) reads as rewritten:

6 "(a) The State Board of Education and local boards of education may expend public
 7 funds for transportation of children with disabilities who are unable because of their disability
 8 to ride the regular school buses and who have been placed in programs by a local school board
 9 as a part of its duty to provide these children with a free appropriate education under Article 9
 10 of this Chapter. At the option of the local board of education with the concurrence of the State
 11 Board of Education, funds appropriated to the State Board of Education for contract
 12 transportation of children with disabilities may be used to purchase buses and minibuses as well
 13 as for the purposes authorized in the budget. The State Board of Education shall adopt rules
 14 concerning the construction and equipment of these buses and minibuses.

15 The ~~Departments~~Department of Health and Human Services, ~~Juvenile Justice and~~
 16 ~~Delinquency Prevention, and Correction Services~~ and the Department of Adult Correction and
 17 Juvenile Justice may also expend public funds for transportation of children with disabilities
 18 who are unable because of their disability to ride the regular school buses and who have been
 19 placed in programs by one of these agencies as a part of that agency's duty to provide these
 20 children with a free appropriate public education under Article 9 of this Chapter.

21 If a local area mental health center places a child with a disability in an educational
 22 program, the local area mental health center shall pay for the transportation of the child who is
 23 unable due to the disability to ride the regular school buses to the program."

24 **SECTION 16.1.(gg)** G.S. 120-70.94 reads as rewritten:

25 "**§ 120-70.94. Purpose and powers of Committee.**

26 (a) The Joint Legislative Oversight Committee on Justice and Public Safety shall
 27 examine, on a continuing basis, the correctional, law enforcement, and juvenile justice systems
 28 in North Carolina, in order to make ongoing recommendations to the General Assembly on
 29 ways to improve those systems and to assist those systems in realizing their objectives of
 30 protecting the public and of punishing and rehabilitating offenders. In this examination, the
 31 Committee shall:

32 ...

33 (2) Examine the effectiveness of the Division of Adult Correction of the
 34 Department of ~~Public Safety~~Adult Correction and Juvenile Justice in
 35 implementing the public policy stated in G.S. 148-26 of providing work
 36 assignments and employment for inmates as a means of reducing the cost of
 37 maintaining the inmate population while enabling inmates to acquire or
 38 retain skills and work habits needed to secure honest employment after their
 39 release.

40 ...

41 (2b) Examine the effectiveness of the Division of Juvenile Justice of the
 42 Department of ~~Public Safety~~Adult Correction and Juvenile Justice in
 43 implementing the duties and responsibilities charged to the Division in Part
 44 3 of Article ~~13~~16 of Chapter 143B of the General Statutes and the overall
 45 effectiveness and efficiency of the juvenile justice system in the State.

46 ...

47 (10) Study the needs of juveniles. This study may include, but is not limited to:

- 48 a. Determining the adequacy and appropriateness of services:
 49 1. To children and youth receiving child welfare services;
 50 2. To children and youth in the juvenile court system;

1 3. Provided by the Division of Social Services of the
2 Department of Health and Human Services and the Division
3 of Juvenile Justice of the Department of ~~Public Safety~~Adult
4 Correction and Juvenile Justice;

5 "

6 **SECTION 16.1.(hh)** The title of Part 10 of Article 5 of Chapter 122C of the
7 General Statutes reads as rewritten:

8 "Part 10. Voluntary Admissions, Involuntary Commitments and Discharges, Inmates and
9 Parolees, Division of Adult Correction of the Department of ~~Public Safety~~Adult Correction
10 and Juvenile Justice."

11 **SECTION 16.1.(ii)** G.S. 143B-935 reads as rewritten:

12 "**§ 143B-935. Criminal history record checks of employees of and applicants for**
13 **employment with the Department of Health and Human Services, and the**
14 **Division of Juvenile Justice of the Department of ~~Public Safety~~Adult**
15 **Correction and Juvenile Justice.**

16 (a) Definitions. – As used in this section, the term:

17 (1) "Covered person" means any of the following:

18 a. An applicant for employment or a current employee in a position in
19 the Division of Juvenile Justice of the Department of ~~Public~~
20 ~~Safety~~Adult Correction and Juvenile Justice who provides direct care
21 for a client, patient, student, resident or ward of the Division.

22 b. A person who supervises positions in the Division of Juvenile Justice
23 of the Department of ~~Public Safety~~Adult Correction and Juvenile
24 Justice providing direct care for a client, patient, student, resident or
25 ward of the Division.

26 ...
27 f. An independent contractor or an employee of an independent
28 contractor who has contracted with the Division of Juvenile Justice
29 of the Department of ~~Public Safety~~Adult Correction and Juvenile
30 Justice to provide direct care for a client, patient, student, resident, or
31 ward of the Division.

32 g. A person who has been approved to perform volunteer services in or
33 for the Division of Juvenile Justice of the Department of ~~Public~~
34 ~~Safety~~Adult Correction and Juvenile Justice to provide direct care for
35 a client, patient, student, resident, or ward of the Division.

36 (2) "Criminal history" means a State or federal history of conviction of a crime,
37 whether a misdemeanor or felony, that bears upon a covered person's fitness
38 for employment in the Department of Health and Human Services or the
39 Division of Juvenile Justice of the Department of ~~Public Safety~~Adult
40 Correction and Juvenile Justice. The crimes include, but are not limited to,
41 criminal offenses as set forth in any of the following Articles of Chapter 14
42 of the General Statutes: Article 5, Counterfeiting and Issuing Monetary
43 Substitutes; Article 5A, Endangering Executive and Legislative Officers;
44 Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8,
45 Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious
46 Injury or Damage by Use of Explosive or Incendiary Device or Material;
47 Article 14, Burglary and Other Housebreakings; Article 15, Arson and Other
48 Burnings; Article 16, Larceny; Article 17, Robbery; Article 18,
49 Embezzlement; Article 19, False Pretenses and Cheats; Article 19A,
50 Obtaining Property or Services by False or Fraudulent Use of Credit Device
51 or Other Means; Article 19B, Financial Transaction Card Crime Act; Article

1 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public
2 Morality and Decency; Article 26A, Adult Establishments; Article 27,
3 Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct
4 in Public Office; Article 35, Offenses Against the Public Peace; Article 36A,
5 Riots, Civil Disorders, and Emergencies; Article 39, Protection of Minors;
6 Article 40, Protection of the Family; Article 59, Public Intoxication; and
7 Article 60, Computer-Related Crime. The crimes also include possession or
8 sale of drugs in violation of the North Carolina Controlled Substances Act,
9 Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses
10 such as sale to underage persons in violation of G.S. 18B-302, or driving
11 while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5.

12 (b) When requested by the Department of Health and Human Services or the Division
13 of Juvenile Justice of the Department of ~~Public Safety, Adult Correction and Juvenile Justice~~,
14 the North Carolina Department of Public Safety may provide to the requesting department or
15 division a covered person's criminal history from the State Repository of Criminal Histories.
16 Such requests shall not be due to a person's age, sex, race, color, national origin, religion, creed,
17 political affiliation, or handicapping condition as defined by G.S. 168A-3. For requests for a
18 State criminal history record check only, the requesting department or division shall provide to
19 the Department of Public Safety a form consenting to the check signed by the covered person to
20 be checked and any additional information required by the Department of Public Safety.
21 National criminal record checks are authorized for covered applicants who have not resided in
22 the State of North Carolina during the past five years. For national checks the Department of
23 Health and Human Services or the Division of Juvenile Justice of the Department of ~~Public~~
24 ~~Safety, Adult Correction and Juvenile Justice~~ shall provide to the North Carolina Department of
25 Public Safety the fingerprints of the covered person to be checked, any additional information
26 required by the Department of Public Safety, and a form signed by the covered person to be
27 checked consenting to the check of the criminal record and to the use of fingerprints and other
28 identifying information required by the State or National Repositories. The fingerprints of the
29 individual shall be forwarded to the State Bureau of Investigation for a search of the State
30 criminal history record file and the State Bureau of Investigation shall forward a set of
31 fingerprints to the Federal Bureau of Investigation for a national criminal history record check.
32 The Department of Health and Human Services and the Division of Juvenile Justice of the
33 Department of ~~Public Safety, Adult Correction and Juvenile Justice~~ shall keep all information
34 pursuant to this section confidential. The Department of Public Safety shall charge a reasonable
35 fee for conducting the checks of the criminal history records authorized by this section.

36 (c) All releases of criminal history information to the Department of Health and Human
37 Services or the Division of Juvenile Justice of the Department of ~~Public Safety, Adult~~
38 ~~Correction and Juvenile Justice~~ shall be subject to, and in compliance with, rules governing the
39 dissemination of criminal history record checks as adopted by the North Carolina Department
40 of Public Safety. All of the information either department receives through the checking of the
41 criminal history is privileged information and for the exclusive use of that department.

42 (d) If the covered person's verified criminal history record check reveals one or more
43 convictions covered under subsection (a) of this section, then the conviction shall constitute just
44 cause for not selecting the person for employment, or for dismissing the person from current
45 employment with the Department of Health and Human Services or the Division of Juvenile
46 Justice of the Department of ~~Public Safety, Adult Correction and Juvenile Justice~~. The
47 conviction shall not automatically prohibit employment; however, the following factors shall be
48 considered by the Department of Health and Human Services or the Division of Juvenile
49 Justice of the Department of ~~Public Safety, Adult Correction and Juvenile Justice~~ in determining
50 whether employment shall be denied:

- 51 (1) The level and seriousness of the crime;

- 1 (2) The date of the crime;
- 2 (3) The age of the person at the time of the conviction;
- 3 (4) The circumstances surrounding the commission of the crime, if known;
- 4 (5) The nexus between the criminal conduct of the person and job duties of the
- 5 person;
- 6 (6) The prison, jail, probation, parole, rehabilitation, and employment records of
- 7 the person since the date the crime was committed; and
- 8 (7) The subsequent commission by the person of a crime listed in subsection (a)
- 9 of this section.

10 (e) The Department of Health and Human Services and the Division of Juvenile Justice
 11 of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice may deny
 12 employment to or dismiss a covered person who refuses to consent to a criminal history record
 13 check or use of fingerprints or other identifying information required by the State or National
 14 Repositories of Criminal Histories. Any such refusal shall constitute just cause for the
 15 employment denial or the dismissal from employment.

16 (f) The Department of Health and Human Services and the Division of Juvenile Justice
 17 of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice may extend a
 18 conditional offer of employment pending the results of a criminal history record check
 19 authorized by this section."

20 **SECTION 16.1.(jj)** G.S. 143B-1100 reads as rewritten:

21 "**§ 143B-1100. Governor's Crime Commission – creation; composition; terms; meetings,**
 22 **etc.**

23 (a) There is hereby created the Governor's Crime Commission of the Department of
 24 Public Safety. The Commission shall consist of 37 voting members and five nonvoting
 25 members. The composition of the Commission shall be as follows:

- 26 (1) The voting members shall be:
- 27 a. The Governor, the Chief Justice of the Supreme Court of North
 28 Carolina (or the Chief Justice's designee), the Attorney General, the
 29 Director of the Administrative Office of the Courts, the Secretary of
 30 the Department of Health and Human Services, the Secretary of
 31 Public Safety (or the Secretary's designee), and the Superintendent of
 32 Public Instruction;
- 33 b. A judge of superior court, a judge of district court specializing in
 34 juvenile matters, a chief district court judge, a clerk of superior court,
 35 and a district attorney;
- 36 c. A defense attorney, three sheriffs (one of whom shall be from a "high
 37 crime area"), three police executives (one of whom shall be from a
 38 "high crime area"), eight citizens (two with knowledge of juvenile
 39 delinquency and the public school system, two of whom shall be
 40 under the age of 21 at the time of their appointment, one advocate for
 41 victims of all crimes, one representative from a domestic violence or
 42 sexual assault program, one representative of a "private juvenile
 43 delinquency program," and one in the discretion of the Governor),
 44 three county commissioners or county officials, and three mayors or
 45 municipal officials;
- 46 d. Four public members.

- 47 (2) The nonvoting members shall be the Director of the State Bureau of
 48 Investigation, the Deputy ~~Director~~Secretary of the Division of Juvenile
 49 Justice of the Department of ~~Public Safety~~Adult Correction and Juvenile
 50 Justice who is responsible for Intervention/Prevention programs, the Deputy
 51 ~~Director~~Secretary of the Division of Juvenile Justice of the Department of

1 ~~Public Safety~~Adult Correction and Juvenile Justice who is responsible for
2 Youth Development programs, the Section Chief of the Section of Prisons of
3 the Division of Adult Correction and the Section Chief of the Section of
4 Community Corrections of the Division of Adult Correction.

5 (b) The membership of the Commission shall be selected as follows:

6 (1) The following members shall serve by virtue of their office: the Governor,
7 the Chief Justice of the Supreme Court, the Attorney General, the Director of
8 the Administrative Office of the Courts, the Secretary of the Department of
9 Health and Human Services, the Secretary of Public Safety, the Director of
10 the State Bureau of Investigation, the Section Chief of the Section of Prisons
11 of the Division of Adult Correction, the Section Chief of the Section of
12 Community Corrections of the Division of Adult Correction, the Deputy
13 ~~Director~~Secretary who is responsible for Intervention/Prevention of the
14 Division of Juvenile Justice of the Department of ~~Public Safety~~Adult
15 Correction and Juvenile Justice, the Deputy ~~Director~~Secretary who is
16 responsible for Youth Development of the Division of Juvenile Justice of the
17 Department of ~~Public Safety~~Adult Correction and Juvenile Justice, and the
18 Superintendent of Public Instruction. Should the Chief Justice of the
19 Supreme Court choose not to serve, his alternate shall be selected by the
20 Governor from a list submitted by the Chief Justice which list must contain
21 no less than three nominees from the membership of the Supreme Court.

22"

23 **SECTION 16.1.(kk)** G.S. 143B-1104(c) reads as rewritten:

24 "(c) The Division of Juvenile Justice of the Department of ~~Public Safety~~Adult
25 Correction and Juvenile Justice shall report to the Senate and House of Representatives
26 Appropriations Subcommittees on Justice and Public Safety no later than March 1, 2006, and
27 annually thereafter, on the results of the alternatives to commitment demonstration programs
28 funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports thereafter
29 shall also include projects funded by Section 16.11 of S.L. 2005-276 for the 2005-2006 fiscal
30 year. Specifically, the report shall provide a detailed description of each of the demonstration
31 programs, including the numbers of juveniles served, their adjudication status at the time of
32 service, the services/treatments provided, the length of service, the total cost per juvenile, and
33 the six- and 12-month recidivism rates for the juveniles after the termination of program
34 services."

35 **SECTION 16.1.(ll)** G.S. 143B-1155 reads as rewritten:

36 "**§ 143B-1155. Duties of Division of Adult Correction.**

37 ...

38 (c) The Department of ~~Public Safety~~Adult Correction and Juvenile Justice, Community
39 Corrections Section, shall report by March 1 of each year to the Chairs of the Senate and House
40 of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint
41 Legislative Oversight Committee on Justice and Public Safety on the status of the programs
42 funded through the Treatment for Effective Community Supervision Program. The report shall
43 include the following information from each of the following components:

44 ...

45 (5) Intensive Outpatient Services. – If the Department enters into a contract for
46 Intensive Outpatient Services, the Department of ~~Public Safety~~Adult
47 Correction and Juvenile Justice shall report in the next fiscal year on this
48 service including the following:

- 49 a. The target population.
50 b. The amount of funds contracted for and expended each fiscal year.
51 c. The supervision type.

- 1 d. The risk level of the offenders served.
2 e. The number of successful and unsuccessful core service exits with a
3 breakdown of reasons for unsuccessful exits.
4 f. The demographics of the population served.
5 g. Supervision outcomes, including completion, revocation, and
6 termination."

7 **SECTION 16.1.(mm)** G.S. 143B-1391(b)(1) reads as rewritten:

8 "(b) The Board shall consist of 21 members, appointed as follows:

- 9 (1) Five members appointed by the Governor, including one member who is a
10 director or employee of a State correction agency for a term to begin
11 September 1, 1996 and to expire on June 30, 1997, one member who is an
12 employee of the North Carolina Department of Public Safety for a term
13 beginning September 1, 1996 and to expire on June 30, 1997, one member
14 selected from the North Carolina Association of Chiefs of Police for a term
15 to begin September 1, 1996 and to expire on June 30, 1999, one member
16 who is an employee of the Division of Juvenile Justice of the Department of
17 ~~Public Safety~~Adult Correction and Juvenile Justice, and one member who
18 represents the Division of Motor Vehicles."

19 **SECTION 16.1.(nn)** G.S. 148-18(a) reads as rewritten:

20 "(a) Prisoners employed by Correction Enterprises shall be compensated as set forth in
21 Article 14 of this Chapter. Prisoners participating in work assignments established by the
22 Section of Prisons of the Division of Adult Correction shall be compensated at rates fixed by
23 the Division of Adult Correction of the Department of ~~Public Safety's~~Adult Correction and
24 Juvenile Justice's rules and regulations; provided, that no prisoner so paid shall receive more
25 than one dollar (\$1.00) per day, unless the Secretary determines that the work assignment
26 requires special skills or training. Upon approval of the Secretary, inmates working in job
27 assignments requiring special skills or training may be paid up to three dollars (\$3.00) per day.
28 The Correction Enterprises Fund shall be the source of wages and allowances provided to
29 inmates who are employed by the Division of Adult Correction of the Department of ~~Public~~
30 ~~Safety~~Adult Correction and Juvenile Justice in work assignments established by the Section of
31 Prisons of the Division of Adult Correction."

32 **SECTION 16.1.(oo)** G.S. 148-37 reads as rewritten:

33 "**§ 148-37. Additional facilities authorized; contractual arrangements.**

34 (a) Subject to the provisions of G.S. 143-341, the Division of Adult Correction of the
35 Department of ~~Public Safety~~Adult Correction and Juvenile Justice may establish additional
36 facilities for use by the Division, such facilities to be either of a permanent type of construction
37 or of a temporary or movable type as the Division may find most advantageous to the particular
38 needs, to the end that the prisoners under its supervision may be so distributed throughout the
39 State as to facilitate individualization of treatment designed to prepare them for lawful living in
40 the community where they are most likely to reside after their release from prison. For this
41 purpose, the Division may purchase or lease sites and suitable lands adjacent thereto and erect
42 necessary buildings thereon, or purchase or lease existing facilities, all within the limits of
43 allotments as approved by the Department of Administration.

44 (b) The Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice may contract
45 with the proper official of the United States or of any county or city of this State for the
46 confinement of federal prisoners after they have been sentenced, county, or city prisoners in
47 facilities of the State prison system or for the confinement of State prisoners in any county or
48 any city facility located in North Carolina, or any facility of the United States Bureau of
49 Prisons, when to do so would most economically and effectively promote the purposes served
50 by the Division of Adult Correction of the Department of ~~Public Safety~~Adult Correction and
51 Juvenile Justice. Except as otherwise provided, any contract made under the authority of this

1 subsection shall be for a period of not more than two years, and shall be renewable from time to
2 time for a period not to exceed two years. Contracts made under the authority of this subsection
3 for the confinement of State prisoners in local or district confinement facilities may be for a
4 period of not more than 10 years and renewable from time to time for a period not to exceed 10
5 years, and shall be subject to the approval of the Council of State and the Department of
6 Administration after consultation with the Joint Legislative Commission on Governmental
7 Operations. Contracts for receiving federal, county and city prisoners shall provide for
8 reimbursing the State in full for all costs involved. The financial provisions shall have the
9 approval of the Department of Administration before the contract is executed. Payments
10 received under such contracts shall be deposited in the State treasury for the use of the Division
11 of Adult Correction of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice.
12 Such payments are hereby appropriated to the Division of Adult Correction of the Department
13 of ~~Public Safety~~Adult Correction and Juvenile Justice as a supplementary fund to compensate
14 for the additional care and maintenance of such prisoners as are received under such contracts.

15 (b) Recodified as G.S. 148-37.2 by Session Laws 2001-84, s. 1, effective May 17, 2001.

16 (c) In addition to the authority contained in subsections (a) and (b) of this section, and
17 in addition to the contracts ratified by subsection (f) of this section, the Secretary of ~~Public~~
18 ~~Safety~~Adult Correction and Juvenile Justice may enter into contracts with any public entity or
19 any private nonprofit or for-profit firms for the confinement and care of State prisoners in any
20 out-of-state correctional facility when to do so would most economically and effectively
21 promote the purposes served by the Division of Adult Correction of the Department of ~~Public~~
22 ~~Safety~~Adult Correction and Juvenile Justice. Contracts entered into under the authority of this
23 subsection shall be for a period not to exceed two years and shall be renewable from time to
24 time for a period not to exceed two years. Prisoners may be sent to out-of-state correctional
25 facilities only when there are no available facilities in this State within the State prison system
26 to appropriately house those prisoners. Any contract made under the authority of this
27 subsection shall be approved by the Department of Administration before the contract is
28 executed. Before expending more than the amount specifically appropriated by the General
29 Assembly for the out-of-state housing of inmates, the Division shall obtain the approval of the
30 Joint Legislative Commission on Governmental Operations and shall report such expenditures
31 to the Chairs of the Senate and House Appropriations Committees, the Chairs of the Senate and
32 House Appropriations Subcommittees on Justice and Public Safety, and the Chairs of the Joint
33 Legislative Oversight Committee on Justice and Public Safety.

34 (d) Prisoners confined in out-of-state correctional facilities pursuant to subsection (c) of
35 this section shall remain subject to the rules adopted for the conduct of persons committed to
36 the State prison system. The rules regarding good time and gain time, discipline, classification,
37 extension of the limits of confinement, transfers, housing arrangements, and eligibility for
38 parole shall apply to inmates housed in those out-of-state correctional facilities. The operators
39 of those out-of-state correctional facilities may promulgate any other rules as may be necessary
40 for the operation of those facilities with the written approval of the Secretary of ~~Public~~
41 ~~Safety~~Adult Correction and Juvenile Justice. Custodial officials employed by an out-of-state
42 correctional facility are agents of the Secretary of ~~Public Safety~~Adult Correction and Juvenile
43 Justice and may use those procedures for use of force authorized by the Secretary of ~~Public~~
44 ~~Safety~~Adult Correction and Juvenile Justice not inconsistent with the laws of the State of situs
45 of the facility to defend themselves, to enforce the observance of discipline in compliance with
46 correctional facility rules, to secure the person of a prisoner, and to prevent escape. Prisoners
47 confined to out-of-state correctional facilities may be required to perform reasonable work
48 assignments within those facilities. Private firms under subsection (c) of this section shall
49 employ inmate disciplinary and grievance policies of the Division of Adult Correction of the
50 Department of ~~Public Safety~~Adult Correction and Juvenile Justice.

51 (e) Repealed by Session Laws 1995, c. 324, s. 19.10.

1 (f) Any contracts entered into by the Division of Adult Correction of the Department of
2 ~~Public Safety~~Adult Correction and Juvenile Justice with public contractors prior to March 25,
3 1994, for the out-of-state housing of inmates are ratified.

4 (g) The Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice may contract
5 with private for-profit or nonprofit firms for the provision and operation of four or more
6 confinement facilities totaling up to 2,000 beds in the State to house State prisoners when to do
7 so would most economically and effectively promote the purposes served by the Division of
8 Adult Correction of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice.
9 This 2,000-bed limitation shall not apply to the 500 beds in private substance abuse treatment
10 centers authorized by the General Assembly prior to July 1, 1995. Whenever the Division of
11 Adult Correction of the Department of ~~Public Safety~~Adult Correction and Juvenile Justice
12 determines that new prison facilities are required in addition to existing and planned facilities,
13 the Division may contract for any remaining beds authorized by this section before constructing
14 State-operated facilities.

15 Contracts entered under the authority of this subsection shall be for a period not to exceed
16 10 years, shall be renewable from time to time for a period not to exceed 10 years. The
17 Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice shall enter contracts under this
18 subsection only if funds are appropriated for this purpose by the General Assembly. Contracts
19 entered under the authority of this subsection may be subject to any requirements for the
20 location of the confinement facilities set forth by the General Assembly in appropriating those
21 funds.

22 Once the Division has made a determination to contract for additional private prison beds, it
23 shall issue a request for proposals within 30 days of the decision. The request for proposals
24 shall require bids to be submitted within two months, and the Division shall award contracts at
25 the earliest practicable date after the submission of bids. The Secretary of ~~Public Safety~~Adult
26 Correction and Juvenile Justice, in consultation with the Chairs of the Joint Legislative
27 Oversight Committee on Justice and Public Safety and the Chairs of the House and Senate
28 Appropriations Subcommittees on Justice and Public Safety, shall make recommendations to
29 the State Purchasing Officer on the final award decision. The State Purchasing Officer shall
30 make the final award decision, and the contract shall then be subject to the approval of the
31 Council of State after consultation with the Joint Legislative Commission on Governmental
32 Operations.

33 Contracts made under the authority of this subsection may provide the State with an option
34 to purchase the confinement facility or may provide for the purchase of the confinement facility
35 by the State. Contracts made under the authority of this subsection shall state that plans and
36 specifications for private confinement facilities shall be furnished to and reviewed by the
37 Office of State Construction. The Office of State Construction shall inspect and review each
38 project during construction to ensure that the project is suitable for habitation and to determine
39 whether the project would be suitable for future acquisition by the State. All contracts for the
40 housing of State prisoners in private confinement facilities shall require a minimum of ten
41 million dollars (\$10,000,000) of occurrence-based liability insurance and shall hold the State
42 harmless and provide reimbursement for all liability arising out of actions caused by operations
43 and employees of the private confinement facility.

44 Prisoners housed in private confinement facilities pursuant to this subsection shall remain
45 subject to the rules adopted for the conduct of persons committed to the State prison system.
46 The Secretary of ~~Public Safety~~Adult Correction and Juvenile Justice may review and approve
47 the design and construction of private confinement facilities before housing State prisoners in
48 these facilities. The rules regarding good time, gain time, and earned credits, discipline,
49 classification, extension of the limits of confinement, transfers, housing arrangements, and
50 eligibility for parole shall apply to inmates housed in private confinement facilities pursuant to
51 this subsection. The operators of private confinement facilities may adopt any other rules as

1 may be necessary for the operation of those facilities with the written approval of the Secretary
 2 of ~~Public Safety~~Adult Correction and Juvenile Justice. Custodial officials employed by a
 3 private confinement facility are agents of the Secretary of ~~Public Safety~~Adult Correction and
 4 Juvenile Justice and may use those procedures for use of force authorized by the Secretary of
 5 ~~Public Safety~~Adult Correction and Juvenile Justice to defend themselves, to enforce the
 6 observance of discipline in compliance with confinement facility rules, to secure the person of
 7 a prisoner, and to prevent escape. Private firms under this subsection shall employ inmate
 8 disciplinary and grievance policies of the Division of Adult Correction of the Department of
 9 ~~Public Safety~~Adult Correction and Juvenile Justice.

10 (h) Private confinement facilities under this section shall be designed, built, and
 11 operated in accordance with applicable State laws, court orders, fire safety codes, and local
 12 regulations.

13 (i) The Division of Adult Correction of the Department of ~~Public Safety~~Adult
 14 Correction and Juvenile Justice shall make a written report no later than March 1 of every year,
 15 beginning in 1997, on the substance of all outstanding contracts for the housing of State
 16 prisoners entered into under the authority of this section. The report shall be submitted to the
 17 Joint Legislative Oversight Committee on Justice and Public Safety."

18 **SECTION 16.1.(pp)** G.S. 150B-1 reads as rewritten:

19 "**§ 150B-1. Policy and scope.**

20 ...

21 (d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
 22 following:

23 ...

24 (6) The Division of Adult Correction of the Department of ~~Public Safety~~Adult
 25 Correction and Juvenile Justice, with respect to matters relating solely to
 26 persons in its custody or under its supervision, including prisoners,
 27 probationers, and parolees.

28 ...

29 (e) Exemptions From Contested Case Provisions. – The contested case provisions of
 30 this Chapter apply to all agencies and all proceedings not expressly exempted from the Chapter.
 31 The contested case provisions of this Chapter do not apply to the following:

32 ...

33 (7) The Division of Adult Correction of the Department of ~~Public Safety~~Adult
 34 Correction and Juvenile Justice.

35"

36 **SECTION 16.1.(qq)** G.S. 164-47 reads as rewritten:

37 "**§ 164-47. Biennial Report on Recidivism.**

38 The Judicial Department, through the North Carolina Sentencing and Policy Advisory
 39 Commission, and the Division of Adult Correction of the Department of ~~Public Safety~~Adult
 40 Correction and Juvenile Justice shall jointly conduct ongoing evaluations of community
 41 corrections programs and in-prison treatment programs and make a biennial report to the
 42 General Assembly. The report shall include composite measures of program effectiveness
 43 based on recidivism rates, other outcome measures, and costs of the programs.

44 During the 1998-99 fiscal year, the Sentencing and Policy Advisory Commission shall
 45 coordinate the collection of all data necessary to create an expanded database containing
 46 offender information on prior convictions, current conviction and sentence, program
 47 participation, and outcome measures. Each program to be evaluated shall assist the
 48 Commission in the development of systems and collection of data necessary to complete the
 49 evaluation process. The first evaluation report shall be presented to the Chairs of the Senate and
 50 House Appropriations Committees and the Chairs of the Senate and House Appropriations

1 Subcommittees on Justice and Public Safety by April 15, 2000, and future reports shall be
2 made by April 15 of each even-numbered year."

3 **SECTION 16.1.(rr)** G.S. 143B-601(a)(10) and (11) are repealed.

4 **SECTION 16.1.(ss)** The Department of Public Safety and the Office of State
5 Management and Budget shall determine the best method to separate administrative support
6 personnel between the Department of Public Safety and the Department of Adult Correction
7 and Juvenile Justice. To the extent possible, to maintain continuity of operations, personnel,
8 and positions that were originally in the Department of Correction or the Department of
9 Juvenile Justice and Delinquency Prevention shall be transferred to the new Department of
10 Adult Correction and Juvenile Justice. DPS and OSBM shall report to the chairs of the Joint
11 Legislative Oversight Committee on Justice and Public Safety by February 1, 2018, regarding
12 the plan for administrative separation. The report shall include any recommendations for
13 funding or statutory changes needed to implement this section.

14 **SECTION 16.1.(tt)** Notwithstanding any other provision of law, there shall be no
15 transfer of positions to or from the Division of Adult Correction and Juvenile Justice (Budget
16 Code 14550, Fund Codes 1200 through 1399) and no changes to the total authorized budget of
17 the Division of Adult Correction and Juvenile Justice, as it existed on March 1, 2017, prior to
18 the creation of the Department of Adult Correction and Juvenile Justice. This subsection shall
19 not apply to transfers of positions or changes to the total authorized budget of the Division of
20 Adult Correction and Juvenile Justice that are expressly required by the Committee Report
21 described in Section 39.2 of this act.

22 **SECTION 16.1.(uu)** Actions taken between December 1, 2012, and June 30, 2018,
23 by the Division of Adult Correction or the Division of Juvenile Justice of the Department of
24 Public Safety under the name of the Division of Adult Correction and Juvenile Justice of the
25 Department of Public Safety are hereby ratified.

26 **SECTION 16.1.(vv)** The Revisor of Statutes may conform names and titles
27 changed by this section and may correct statutory references as required by this section
28 throughout the General Statutes. In making the changes authorized by this section, the Revisor
29 may also adjust subject and verb agreement and the placement of conjunctions.

30 **SECTION 16.1.(ww)** The creation of the Department of Adult Correction and
31 Juvenile Justice as provided in this section and all conforming changes required and authorized
32 by this section related to the creation of the Department become effective July 1, 2018. On and
33 after that date, any references or directives in this act to the Division of Adult Correction and
34 the Division of Juvenile Justice of the Department of Public Safety shall be construed to apply
35 to the appropriate division of the Department of Adult Correction and Juvenile Justice pursuant
36 to the departmental consolidation enacted by this section. The remainder of this section is
37 effective when it becomes law.

38 **NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES**

39 **SECTION 16.2.(a)** Notwithstanding any other provision of law, the Office of State
40 Budget and Management shall not transfer any positions, personnel, or funds from the
41 Department of Public Safety to any other State agency during the 2017-2019 fiscal biennium
42 unless the transfer was included in the base budget for one or both fiscal years of the biennium.
43 This subsection shall not apply to any of the following annual transfers to the Office of the
44 Governor:

45
46 (1) Two hundred thirty-four thousand eight hundred ninety-one dollars
47 (\$234,891) for administrative support.

48 (2) Up to fifty thousand dollars (\$50,000) for litigation expenses.

49 **SECTION 16.2.(b)** This section becomes effective July 1, 2017. If any transfers
50 that violate this section are made prior to this section becoming effective, those transfers shall
51 be undone within 15 days of this section becoming effective.

LAPSED SALARY REPORT

SECTION 16.3. The Department of Public Safety shall report on February 1 and August 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 Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety. The report shall include the following:

- (1) Amount of lapsed salary generated by fund code for the previous six months.
- (2) An itemized accounting of the use of lapsed salary funds including:
 - a. Fund code.
 - b. Current certified budget.
 - c. Annual projected expenditure.
 - d. Annual projected shortfall.
 - e. Amount of lapsed salary funds transferred to date.

The August 1 report shall include an annual accounting of this information for the previous fiscal year.

PILOT PROJECT TO TREAT OPIATE OVERDOSE

SECTION 16.4.(a) Pilot Project. – The Department of Public Safety, in conjunction with the City of Wilmington, shall develop and implement a pilot project to establish a Quick Response Team (QRT) to address the needs of opiate and heroin overdose victims who are not getting follow-up treatment. The QRT shall be staffed by firefighters, police officers, medics, and other law enforcement as determined by the Department of Public Safety and the City of Wilmington. The Department of Public Safety and the City of Wilmington shall work together to develop the policy and procedures for the QRT. In doing so, all of the following shall be considered:

- (1) Increase engagement and treatment with family counseling and recovery groups.
- (2) Provide follow-up care to survivable overdose incidents with police or medics and licensed counselors.
- (3) Provide short-term and long-term support to overdose victims and families.
- (4) Provide follow up within three to five days after an initial incident.
- (5) Create a fatality review panel to analyze and keep track of the deaths of those served by QRT.

SECTION 16.4.(b) Report. – The Department of Public Safety and the City of Wilmington shall report on the results of the pilot project to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2019.

GRANT REPORTING AND MATCHING FUNDS

SECTION 16.5.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall each report by May 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee 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 a department intends to continue the program beyond the end of the grant period, that 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.

1 **SECTION 16.5.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the
2 Department of Public Safety may use up to the sum of one million two hundred thousand
3 dollars (\$1,200,000) during the 2017-2018 fiscal year and up to the sum of one million two
4 hundred thousand dollars (\$1,200,000) during the 2018-2019 fiscal year from funds available to
5 the Department to provide the State match needed in order to receive grant funds. Prior to using
6 funds for this purpose, the Department shall report to the chairs of the House of Representatives
7 Appropriations Committee on Justice and Public Safety and the Senate Appropriations
8 Committee on Justice and Public Safety on the grants to be matched using these funds.

9
10 **SUBPART XVI-A. GENERAL PROVISIONS [RESERVED]**

11
12 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

13
14 **STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS**

15 **SECTION 16B.1.(a)** Creation of Receipt-Supported Positions Authorized. – The
16 State Capitol Police may contract with State agencies for the creation of receipt-supported
17 positions to provide security services to the buildings occupied by those agencies.

18 **SECTION 16B.1.(b)** Annual Report Required. – No later than September 1 of each
19 fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on
20 Justice and Public Safety the following information for the fiscal year in which the report is
21 due:

- 22 (1) A list of all positions in the State Capitol Police. For each position listed, the
23 report shall include at least the following information:
24 a. The position type.
25 b. The agency to which the position is assigned.
26 c. The source of funding for the position.
27 (2) For each receipt-supported position listed, the contract and any other terms
28 of the contract.

29 **SECTION 16B.1.(c)** Additional Reporting Required Upon Creation of
30 Receipt-Supported Positions. – In addition to the report required by subsection (b) of this
31 section, the State Capitol Police shall report the creation of any position pursuant to subsection
32 (a) of this section to the chairs of the House of Representatives Appropriations Committee on
33 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public
34 Safety and to the Fiscal Research Division within 30 days of the position's creation. A report
35 submitted pursuant to this section shall include at least the following information:

- 36 (1) The position type.
37 (2) The agency to which the position is being assigned.
38 (3) The position salary.
39 (4) The total amount of the contract.
40 (5) The terms of the contract.

41 **SECTION 16B.1.(d)** Format of Reports. – Reports submitted pursuant to this
42 section shall be submitted electronically and in accordance with any applicable General
43 Assembly standards.

44
45 **USE OF SEIZED AND FORFEITED PROPERTY**

46 **SECTION 16B.2.(a)** Seized and forfeited assets transferred to the Department of
47 Justice or to the Department of Public Safety during the 2017-2019 fiscal biennium pursuant to
48 applicable federal law shall be credited to the budget of the recipient department and shall
49 result in an increase of law enforcement resources for that department. The Department of
50 Public Safety and the Department of Justice shall each make the following reports to the chairs

1 of the House of Representatives Appropriations Committee on Justice and Public Safety and
2 Senate Appropriations Committee on Justice and Public Safety:

- 3 (1) A report upon receipt of any assets.
- 4 (2) A report that shall be made prior to use of the assets on their intended use
5 and the departmental priorities on which the assets may be expended.
- 6 (3) A report on receipts, expenditures, encumbrances, and availability of these
7 assets for the previous fiscal year, which shall be made no later than
8 September 1 of each year.

9 **SECTION 16B.2.(b)** The General Assembly finds that the use of seized and
10 forfeited assets transferred pursuant to federal law for new personnel positions, new projects,
11 acquisition of real property, repair of buildings where the repair includes structural change, and
12 construction of or additions to buildings may result in additional expenses for the State in
13 future fiscal periods. Therefore, the Department of Justice and Department of Public Safety are
14 prohibited from using these assets for such purposes without the prior approval of the General
15 Assembly.

16 **SECTION 16B.2.(c)** Nothing in this section prohibits State law enforcement
17 agencies from receiving funds from the United States Department of Justice, the United States
18 Department of the Treasury, and the United States Department of Health and Human Services.

19 **SECTION 16B.2.(d)** The Joint Legislative Oversight Committee on Justice and
20 Public Safety shall study the impact on State and local law enforcement efforts of the receipt of
21 seized and forfeited assets. The Committee shall report its findings and recommendations prior
22 to the convening of the 2018 Regular Session of the 2017 General Assembly.

23 24 **PROTECT HOSPITAL SECURITY PERSONNEL**

25 **SECTION 16B.3.(a)** G.S. 14-34.6 reads as rewritten:

26 "**§ 14-34.6. Assault or affray on a firefighter, an emergency medical technician, medical
27 responder, and hospital personnel.**

28 (a) A person is guilty of a Class I felony if the person commits an assault or affray
29 causing physical injury on any of the following persons who are discharging or attempting to
30 discharge their official duties:

- 31 (1) An emergency medical technician or other emergency health care provider.
- 32 (2) A medical responder.
- 33 (3) Hospital personnel and licensed healthcare providers who are providing or
34 attempting to provide health care services to a patient in a hospital.
- 35 (4) Repealed by Session Laws 2011-356, s. 2, effective December 1, 2011, and
36 applicable to offenses committed on or after that date.
- 37 (5) A firefighter.
- 38 (6) Hospital security personnel.

39 (b) Unless a person's conduct is covered under some other provision of law providing
40 greater punishment, a person is guilty of a Class H felony if the person violates subsection (a)
41 of this section and (i) inflicts serious bodily injury or (ii) uses a deadly weapon other than a
42 firearm.

43 (c) Unless a person's conduct is covered under some other provision of law providing
44 greater punishment, a person is guilty of a Class F felony if the person violates subsection (a) of
45 this section and uses a firearm."

46 **SECTION 16B.3.(b)** This section becomes effective December 1, 2017, and
47 applies to offenses committed on or after that date.

48 49 **LIEUTENANT GOVERNOR EXECUTIVE PROTECTION DETAIL**

50 **SECTION 16B.4.(a)** Article 4 of Chapter 20 of the General Statutes is amended by
51 adding a new section to read:

"§ 20-189.1. Lieutenant Governor Executive Protection Detail.

(a) Creation. – There is created within the Highway Patrol a Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor shall submit the names of three sworn members in good standing of the North Carolina Highway Patrol to the Commander, and the Commander shall assign those officers to serve in the Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor is authorized to remove any members of the detail, with or without cause. If the Lieutenant Governor removes a member of the detail, the Lieutenant Governor shall submit to the Commander the name of an officer to replace the member who has been removed and the Commander shall assign the replacement. Members of the Lieutenant Governor's Executive Protection Detail shall continue to be employed by the North Carolina Highway Patrol subject to the laws, rules, and regulations of the Highway Patrol. The North Carolina Highway Patrol shall provide vehicles necessary for the carrying out of the Detail's duties under this Article.

(b) Duties. – The members of the Lieutenant Governor's Executive Protection Detail shall protect the Lieutenant Governor and the Lieutenant Governor's immediate family and perform duties as assigned by the Lieutenant Governor relating to the protection of the Lieutenant Governor."

SECTION 16B.4.(b) This section is effective when this act becomes law.

STUDIES TO ENHANCE PUBLIC SAFETY/PED

SECTION 16B.5.(a) The Joint Legislative Program Evaluation Oversight Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include the following:

- (1) An evaluation of the Voice Interoperability Plan for Emergency Responders (VIPER) and FirstNet technologies. Specifically, the Program Evaluation Division shall:
 - a. Examine the current state of VIPER and FirstNet technology and identify long-term future equipment needs and upgrades.
 - b. Identify efficiencies and cost-sharing methods for ensuring sustainability of system operations and maintenance.
 - c. Determine whether system functions are duplicated.
 - d. Identify the most effective governance and operational financing structure to ensure equitable and reasonable cost-sharing and optimal system adoption by public safety agency stakeholders.
- (2) An evaluation of the current security measures for the downtown Raleigh State Government complex and options to create cost efficient and comprehensive security plans.

SECTION 16B.5.(b) The Program Evaluation Division shall submit its evaluation to the Joint Legislative Program Evaluation Oversight Committee and to the Joint Legislative Oversight Committee on Justice and Public Safety no later than March 1, 2018.

9/11 AS FIRST RESPONDERS DAY

SECTION 16B.6. G.S. 103-4(a) is amended by adding a new subdivision to read:

"§ 103-4. Dates of public holidays.

(a) The following are declared to be legal public holidays:

- ...
- (10a) First Responders Day, September 11.
-"

SHP ELIGIBLE FOR PSAP GRANT/911 PROJECTS

SECTION 16B.7. G.S. 143B-1407 is amended by adding a new subsection to read:

1 "(f) Application to State Highway Patrol. – The State Highway Patrol is an eligible
2 PSAP for purposes of applying to the 911 Board for a grant from the PSAP Grant and
3 Statewide 911 Projects Account. This subsection applies to funds collected on or after July 1,
4 2017."

6 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

8 **USE OF CLOSED FACILITIES**

9 **SECTION 16C.1.** In conjunction with the closing of prison facilities, youth
10 detention centers, and youth development centers, the Department of Public Safety shall
11 consult with the county or municipality in which the facility is located, with elected State and
12 local officials, and with State and federal agencies about the possibility of converting that
13 facility to other use. The Department may also consult with any private for-profit or nonprofit
14 firm about the possibility of converting the facility to other use. In developing a proposal for
15 future use of each facility, the Department shall give priority to converting the facility to other
16 criminal justice use. Consistent with existing law and the future needs of the Department of
17 Public Safety, the State may provide for the transfer or the lease of any of these facilities to
18 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert
19 them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to
20 this section. The Department of Public Safety may also consider converting some of the
21 facilities recommended for closing from one security custody level to another, where that
22 conversion would be cost-effective. A prison unit under lease to a county pursuant to the
23 provisions of this section for use as a jail is exempt for the period of the lease from any of the
24 minimum standards adopted by the Secretary of Health and Human Services pursuant to
25 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater
26 standards than those required of a unit of the State prison system.

28 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL** 29 **EXPENSES**

30 **SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public
31 Safety may use funds available to the Department for the 2017-2019 fiscal biennium to
32 reimburse counties for the cost of housing convicted inmates, parolees, and post-release
33 supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The
34 reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer.
35 The Department shall report annually by February 1 of each year to the chairs of the Joint
36 Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of
37 Representatives Appropriations Committee on Justice and Public Safety and the Senate
38 Appropriations Committee on Justice and Public Safety on the expenditure of funds to
39 reimburse counties for prisoners awaiting transfer.

41 **CENTER FOR COMMUNITY TRANSITIONS/ CONTRACT AND REPORT**

42 **SECTION 16C.3.** The Department of Public Safety may continue to contract with
43 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison
44 beds for minimum security female inmates during the 2017-2019 fiscal biennium. The Center
45 for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the
46 House of Representatives Appropriations Committee on Justice and Public Safety and the
47 Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate
48 and the average daily inmate population compared to bed capacity using the same methodology
49 as that used by the Department of Public Safety.

51 **INMATE CONSTRUCTION PROGRAM**

1 **SECTION 16C.4.** Notwithstanding any other provision of law but subject to
2 Article 3 of Chapter 148 of the General Statutes, during the 2017-2019 fiscal biennium, the
3 State Construction Office may utilize inmates in the custody of the Division of Adult
4 Correction of the Department of Public Safety through the Inmate Construction Program for
5 repair and renovation projects on State-owned facilities, with priority given to Department of
6 Public Safety construction projects. State agencies utilizing the Inmate Construction Program
7 shall reimburse the Division of Adult Correction of the Department of Public Safety for the
8 cost of transportation, custody, and wages for the inmate crews.
9

10 **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM**

11 **SECTION 16C.5.(a)** The North Carolina Sheriffs' Association shall report no later
12 than the 15th day of each month to the Office of State Budget and Management and the Fiscal
13 Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report
14 shall include all of the following:

- 15 (1) The daily population, delineated by misdemeanor or DWI monthly housing.
- 16 (2) The cost of housing prisoners under the Program.
- 17 (3) The cost of transporting prisoners under the Program.
- 18 (4) Personnel costs.
- 19 (5) Inmate medical care costs.
- 20 (6) The number of counties that volunteer to house inmates under the Program.
- 21 (7) The administrative costs paid to the Sheriffs' Association and to the
22 Department of Public Safety.

23 **SECTION 16C.5.(b)** The North Carolina Sheriffs' Association shall report no later
24 than October 1 of each year to the chairs of the House of Representatives Appropriations
25 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
26 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety
27 on the Statewide Misdemeanant Confinement Program. The report shall include the following
28 with respect to the prior fiscal year:

- 29 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- 30 (2) The cost of housing prisoners by county under the Program.
- 31 (3) The cost of transporting prisoners by county under the Program.
- 32 (4) Personnel costs by county.
- 33 (5) Inmate medical care costs by county.
- 34 (6) The number of counties that volunteer to house inmates under the Program.
- 35 (7) The administrative costs paid to the Sheriffs' Association and to the
36 Department of Public Safety.

37 **SECTION 16C.5.(c)** Of the funds appropriated in this act for the Statewide
38 Misdemeanant Confinement Program:

- 39 (1) The sum of one million dollars (\$1,000,000) shall be transferred to the North
40 Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the
41 Program and for administrative and operating expenses of the Association
42 and its staff.
- 43 (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be
44 allocated to the Division of Adult Correction for its administrative and
45 operating expenses for the Program.
46

47 **WESTERN YOUTH INSTITUTION ASSET REPORT**

48 **SECTION 16C.6.** The Department of Public Safety (DPS) shall make every effort
49 to ensure that equipment and other State resources in buildings that are scheduled for
50 demolition or otherwise not being used are recovered for use elsewhere. DPS shall report by
51 March 1, 2018, on assets salvaged from the Western Youth Institution prior to demolition. The

1 report shall include the type of asset salvaged, the estimated value of the asset, where it was
2 used, and the savings associated with relocating the asset to another facility.

3 4 **ELIMINATE OBSOLETE PILOT PROGRAM**

5 **SECTION 16C.7.** G.S. 143B-706 is repealed.

6 7 **DOT CONTRACT FOR INMATE LITTER CREW**

8 **SECTION 16C.8.** After the issuance of a request for information (RFI) and receipt
9 of bids by the Department of Transportation for litter pickup on State highways and roads, the
10 Department of Transportation shall first offer the contract to the Division of Adult Correction
11 upon the same terms and conditions as the most favorable bid received by the Department of
12 Transportation from a suitable contractor. The Division of Adult Correction shall have 30 days
13 to accept or decline the offered contract.

14 15 **WORKERS' COMPENSATION/PRISON INMATES**

16 **SECTION 16C.9.(a)** G.S. 97-13 reads as rewritten:

17 **"§ 97-13. Exceptions from provisions of Article.**

18 (a) **Employees of Certain Railroads.** – This Article shall not apply to railroads or
19 railroad employees nor in any way repeal, amend, alter or affect Article 8 of Chapter 60 or any
20 section thereof relating to the liability of railroads for injuries to employees, nor upon the trial
21 of any action in tort for injuries not coming under the provisions of this Article, shall any
22 provision herein be placed in evidence or be permitted to be argued to the jury. Provided,
23 however, that the foregoing exemption to railroads and railroad employees shall not apply to
24 employees of a State-owned railroad company, as defined in G.S. 124-11, or to electric street
25 railroads or employees thereof; and this Article shall apply to electric street railroads and
26 employees thereof and to this extent the provisions of Article 8 of Chapter 60 are hereby
27 amended.

28 (b) **Casual Employment, Domestic Servants, Farm Laborers, Federal Government,**
29 **Employer of Less than Three Employees.** – This Article shall not apply to casual employees,
30 farm laborers when fewer than 10 full-time nonseasonal farm laborers are regularly employed
31 by the same employer, federal government employees in North Carolina, and domestic
32 servants, nor to employees of such persons, nor to any person, firm or private corporation that
33 has regularly in service less than three employees in the same business within this State, except
34 that any employer without regard to number of employees, including an employer of domestic
35 servants, farm laborers, or one who previously had exempted himself, who has purchased
36 workers' compensation insurance to cover his compensation liability shall be conclusively
37 presumed during life of the policy to have accepted the provisions of this Article from the
38 effective date of said policy and his employees shall be so bound unless waived as provided in
39 this Article; provided however, that this Article shall apply to all employers of one or more
40 employees who are employed in activities which involve the use or presence of radiation.

41 (c) **Most Prisoners.** – This Article shall not apply to prisoners being worked by the State
42 or any subdivision thereof, except to the following extent: as provided in this subsection and
43 subsection (c1) of this section. Whenever any prisoner assigned to the Division of Adult
44 Correction of the Department of Public Safety shall suffer accidental injury or accidental death
45 arising out of and in the course of the employment to which he had been assigned, if there be
46 death or if the results of such injury continue until after the date of the lawful discharge of such
47 prisoner to such an extent as to amount to a disability as defined in this Article, then such
48 discharged prisoner or the dependents or next of kin of such discharged prisoner may have the
49 benefit of this Article by applying to the Industrial Commission as any other employee;
50 provided, such application is made within 12 months from the date of the discharge; and
51 provided further that the maximum compensation to any prisoner or to the dependents or next

1 of kin of any deceased prisoner shall not exceed thirty dollars (\$30.00) per week and the period
2 of compensation shall relate to the date of his discharge rather than the date of the accident. If
3 any person who has been awarded compensation under the provisions of this subsection shall
4 be recommitted to prison upon conviction of an offense committed subsequent to the award,
5 such compensation shall immediately cease. Any awards made under the terms of this
6 subsection shall be paid by the Department of Public Safety from the funds available for the
7 operation of the Division of Adult Correction of the Department of Public Safety. The
8 provisions of G.S. 97-10.1 and 97-10.2 shall apply to prisoners and discharged prisoners
9 entitled to compensation under this subsection and to the State in the same manner as said
10 section applies to employees and employers.

11 (c1) Certain Inmates. – The average weekly wage of inmates employed pursuant to the
12 Prison Industry Enhancement Program shall be calculated pursuant to G.S. 97-2(5).

13 (d) Sellers of Agricultural Products. – This Article shall not apply to persons, firms or
14 corporations engaged in selling agricultural products for the producers thereof on commission
15 or for other compensation, paid by the producers, provided the product is prepared for sale by
16 the producer."

17 **SECTION 16C.9.(b)** This section is effective when this act becomes law.

18 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

19 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

20
21 **SECTION 16D.1.(a)** Funds appropriated in this act to the Department of Public
22 Safety for the 2017-2019 fiscal biennium for community program contracts that are not
23 required for or used for community program contracts may be used only for the following:

- 24 (1) Other statewide residential programs that provide Level 2 intermediate
25 dispositional alternatives for juveniles.
- 26 (2) Statewide community programs that provide Level 2 intermediate
27 dispositional alternatives for juveniles.
- 28 (3) Regional programs that are collaboratives of two or more Juvenile Crime
29 Prevention Councils which provide Level 2 intermediate dispositional
30 alternatives for juveniles.
- 31 (4) The Juvenile Crime Prevention Council funds to be used for the Level 2
32 intermediate dispositional alternatives for juveniles listed in
33 G.S. 7B-2506(13) through (23).

34
35 **SECTION 16D.1.(b)** Funds appropriated by this act to the Department of Public
36 Safety for the 2017-2019 fiscal biennium for community programs may not be used for
37 staffing, operations, maintenance, or any other expenses of youth development centers or
38 detention facilities.

39 **SECTION 16D.1.(c)** The Department of Public Safety shall submit an electronic
40 report by October 1 of each year of the 2017-2019 fiscal biennium on all expenditures made in
41 the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 to the chairs
42 of the House of Representatives Appropriations Committee on Justice and Public Safety and
43 the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research
44 Division. The report shall include all of the following: an itemized list of the contracts that have
45 been executed, the amount of each contract, the date the contract was executed, the purpose of
46 the contract, the number of juveniles that will be served and the manner in which they will be
47 served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an
48 itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention
49 Council fund.

50 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

1 **SECTION 16D.2.** Funds appropriated in this act to the Department of Public
2 Safety for each fiscal year of the 2017-2019 fiscal biennium may be used as matching funds for
3 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
4 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
5 Budget and Management and the Governor's Crime Commission shall consult with the
6 Department of Public Safety regarding the criteria for awarding federal funds. The Office of
7 State Budget and Management, the Governor's Crime Commission, and the Department of
8 Public Safety shall report to the chairs of the House of Representatives Appropriations
9 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
10 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety
11 prior to allocation of the federal funds. The report shall identify the amount of funds to be
12 received for the 2017-2018 fiscal year, the amount of funds anticipated for the 2018-2019 fiscal
13 year, and the allocation of funds by program and purpose.
14

15 **JUVENILE CRIME PREVENTION COUNCIL FUNDS**

16 **SECTION 16D.3.** G.S. 143B-852(a) reads as rewritten:

17 "(a) On or before February 1 of each year, the Department of Public Safety shall submit
18 to the Chairs of the Joint Legislative ~~Commission on Governmental Operations Oversight~~
19 Committee on Justice and Public Safety and the Chairs of the ~~Senate and House of~~
20 Representatives Appropriations Subcommittees Committee on Justice and Public Safety and the
21 Senate Appropriations Committee on Justice and Public Safety a list of the recipients of the
22 grants awarded, or preapproved for award, from funds appropriated to the Department for local
23 Juvenile Crime Prevention Council (JCPC) grants, including the following information:

- 24 (1) The amount of the grant awarded.
- 25 (2) The membership of the local committee or council administering the award
26 funds on the local level.
- 27 (3) The type of program funded.
- 28 (4) A short description of the local services, programs, or projects that will
29 receive funds.
- 30 (5) Identification of any programs that received grant funds at one time but for
31 which funding has been eliminated by the Department.
- 32 (6) The number of at-risk, diverted, and adjudicated juveniles served by each
33 county.
- 34 (7) The Department's actions to ensure that county JCPCs prioritize funding for
35 dispositions of intermediate and community-level sanctions for
36 court-adjudicated juveniles under minimum standards adopted by the
37 Department.
- 38 (8) The total cost for each funded program, including the cost per juvenile and
39 the essential elements of the program."
40

41 **JUVENILE REINVESTMENT ACT**

42 43 **INCREASE THE AGE OF JUVENILE JURISDICTION, EXCEPT FOR CERTAIN** 44 **FELONIES**

45 **SECTION 16D.4.(a)** G.S. 7B-1501 reads as rewritten:

46 **"§ 7B-1501. Definitions.**

47 In this Subchapter, unless the context clearly requires otherwise, the following words have
48 the listed meanings. The singular includes the plural, unless otherwise specified.

- 49 ...
- 50 (7) Delinquent juvenile. –

1 a. Any juvenile who, while less than 16 years of age but at least 6 years
2 of age, commits a crime or infraction under State law or under an
3 ordinance of local government, including violation of the motor
4 vehicle laws, or who commits indirect contempt by a juvenile as
5 defined in G.S. 5A-31.

6 b. Any juvenile who, while less than 18 years of age but at least 16
7 years of age, commits a misdemeanor or infraction under State law or
8 under an ordinance of local government, excluding a violation of the
9 motor vehicle laws, or who commits indirect contempt by a juvenile
10 as defined in G.S. 5A-31.

11 ...

12 (27a) Victim. – Any individual or entity against whom a crime or infraction is
13 alleged to have been committed by a juvenile based on reasonable grounds
14 that the alleged facts are true. For purposes of Article 17 of this Chapter, the
15 term may also include a parent, guardian, or custodian of a victim under the
16 age of 18 years.

17 "

18 **SECTION 16D.4.(b)** G.S. 7B-1601 reads as rewritten:

19 "**§ 7B-1601. Jurisdiction over delinquent juveniles.**

20 (a) The court has exclusive, original jurisdiction over any case involving a juvenile who
21 is alleged to be delinquent. For purposes of determining jurisdiction, the age of the juvenile at
22 the time of the alleged offense governs.

23 (b) When the court obtains jurisdiction over a juvenile alleged to be
24 ~~delinquent,~~ delinquent for an offense committed prior to the juvenile reaching the age of 16
25 years, jurisdiction shall continue until terminated by order of the court or until the juvenile
26 reaches the age of 18 years, except as provided otherwise in this Article.

27 (b1) When the court obtains jurisdiction over a juvenile alleged to be delinquent for an
28 offense committed while the juvenile was at least 16 years of age but less than 17 years of age,
29 jurisdiction shall continue until terminated by order of the court or until the juvenile reaches the
30 age of 19 years. If the offense was committed while the juvenile was at least 17 years of age,
31 jurisdiction shall continue until terminated by order of the court or until the juvenile reaches the
32 age of 20 years.

33 (c) When delinquency proceedings for a juvenile alleged to be delinquent for an offense
34 committed prior to the juvenile reaching the age of 16 years cannot be concluded before the
35 juvenile reaches the age of 18 years, the court retains jurisdiction for the sole purpose of
36 conducting proceedings pursuant to Article 22 of this Chapter and either transferring the case to
37 superior court for trial as an adult or dismissing the petition.

38 (c1) When delinquency proceedings for a juvenile alleged to be delinquent for an offense
39 committed while the juvenile was at least 16 years of age but less than 17 years of age cannot
40 be concluded before the juvenile reaches the age of 19 years, the court retains jurisdiction for
41 the sole purpose of dismissing the petition. When delinquency proceedings for a juvenile
42 alleged to be delinquent for an offense committed while the juvenile was at least 17 years of
43 age cannot be concluded before the juvenile reaches the age of 20 years, the court retains
44 jurisdiction for the sole purpose of dismissing the petition.

45 (d) When the court has not obtained jurisdiction over a juvenile before the juvenile
46 reaches the age of 18, for a felony and any related misdemeanors the juvenile allegedly
47 committed on or after the juvenile's thirteenth birthday and prior to the juvenile's
48 sixteenth~~sixteenth~~eighteenth birthday, the court has jurisdiction for the sole purpose of conducting
49 proceedings pursuant to Article 22 of this Chapter and either transferring the case to superior
50 court for trial as an adult or dismissing the petition.

1 (e) The court has jurisdiction over delinquent juveniles in the custody of the Division
2 and over proceedings to determine whether a juvenile who is under the post-release supervision
3 of the juvenile court counselor has violated the terms of the juvenile's post-release supervision.

4 (f) The court has jurisdiction over persons 18 years of age or older who are under the
5 extended jurisdiction of the juvenile court.

6 (g) The court has jurisdiction over the parent, guardian, or custodian of a juvenile who
7 is under the jurisdiction of the court pursuant to this section if the parent, guardian, or custodian
8 has been served with a summons pursuant to G.S. 7B-1805."

9 **SECTION 16D.4.(c)** G.S. 7B-1604(a) reads as rewritten:

10 "(a) Any juvenile, including a juvenile who is under the jurisdiction of the court, who
11 commits a criminal offense on or after the ~~juvenile's sixteenth birthday~~date the juvenile has
12 reached the age of 18 years is subject to prosecution as an adult. A juvenile who is emancipated
13 shall be prosecuted as an adult for the commission of a criminal offense."

14 **SECTION 16D.4.(d)** G.S. 7B-2200 reads as rewritten:

15 "**§ 7B-2200. Transfer of jurisdiction of a juvenile under the age of 16 to superior court.**

16 After notice, hearing, and a finding of probable cause the court may, upon motion of the
17 prosecutor or the juvenile's attorney or upon its own motion, transfer jurisdiction over a
18 juvenile to superior court if the juvenile was at least 13 years of age ~~or older~~ but less than 16
19 years of age at the time the juvenile allegedly committed an offense that would be a felony if
20 committed by an adult. If the alleged felony constitutes a Class A felony and the court finds
21 probable cause, the court shall transfer the case to the superior court for trial as in the case of
22 adults."

23 **SECTION 16D.4.(e)** G.S. 7B-2506 reads as rewritten:

24 "**§ 7B-2506. Dispositional alternatives for delinquent juveniles.**

25 The court exercising jurisdiction over a juvenile who has been adjudicated delinquent may
26 use the following alternatives in accordance with the dispositional structure set forth in
27 G.S. 7B-2508:

28 (1) In the case of any juvenile under the age of 18 years who needs more
29 adequate care or supervision or who needs placement, the judge may:

30 a. Require that a juvenile be supervised in the juvenile's own home by
31 the department of social services in the juvenile's county, a juvenile
32 court counselor, or other personnel as may be available to the court,
33 subject to conditions applicable to the parent, guardian, or custodian
34 or the juvenile as the judge may specify; or

35 b. Place the juvenile in the custody of a parent, guardian, custodian,
36 relative, private agency offering placement services, or some other
37 suitable person; or

38 c. If the director of the county department of social services has
39 received notice and an opportunity to be heard, place the juvenile in
40 the custody of the department of social services in the county of his
41 residence, or in the case of a juvenile who has legal residence outside
42 the State, in the physical custody of a department of social services in
43 the county where the juvenile is found so that agency may return the
44 juvenile to the responsible authorities in the juvenile's home state. An
45 order placing a juvenile in the custody or placement responsibility of
46 a county department of social services shall contain a finding that the
47 juvenile's continuation in the juvenile's own home would be contrary
48 to the juvenile's best interest. This placement shall be reviewed in
49 accordance with G.S. 7B-906.1. The director may, unless otherwise
50 ordered by the judge, arrange for, provide, or consent to, needed
51 routine or emergency medical or surgical care or treatment. In the

1 case where the parent is unknown, unavailable, or unable to act on
 2 behalf of the juvenile or juveniles, the director may, unless otherwise
 3 ordered by the judge, arrange for, provide, or consent to any
 4 psychiatric, psychological, educational, or other remedial evaluations
 5 or treatment for the juvenile placed by a judge or his designee in the
 6 custody or physical custody of a county department of social services
 7 under the authority of this or any other Chapter of the General
 8 Statutes. Prior to exercising this authority, the director shall make
 9 reasonable efforts to obtain consent from a parent, guardian, or
 10 custodian of the affected juvenile. If the director cannot obtain
 11 consent, the director shall promptly notify the parent, guardian, or
 12 custodian that care or treatment has been provided and shall give the
 13 parent, guardian, or custodian frequent status reports on the
 14 circumstances of the juvenile. Upon request of a parent, guardian, or
 15 custodian of the affected juvenile, the results or records of the
 16 aforementioned evaluations, findings, or treatment shall be made
 17 available to the parent, guardian, or custodian by the director unless
 18 prohibited by G.S. 122C-53(d).

- 19 (2) Excuse ~~the~~ a juvenile under the age of 16 years from compliance with the
 20 compulsory school attendance law when the court finds that suitable
 21 alternative plans can be arranged by the family through other community
 22 resources for one of the following:
- 23 a. An education related to the needs or abilities of the juvenile
 24 including vocational education or special education;
 - 25 b. A suitable plan of supervision or placement; or
 - 26 c. Some other plan that the court finds to be in the best interests of the
 27 juvenile.

28"

29 **SECTION 16D.4.(f)** G.S. 7B-2507 reads as rewritten:

30 **"§ 7B-2507. Delinquency history levels.**

31 (a) Generally. – The delinquency history level for a delinquent juvenile is determined
 32 by calculating the sum of the points assigned to each of the juvenile's prior adjudications or
 33 convictions and to the juvenile's probation status, if any, that the court finds to have been
 34 proved in accordance with this section. For the purposes of this section, a prior adjudication is
 35 an adjudication of an offense that occurs before the adjudication of the offense before the court.

36 (b) Points. – Points are assigned as follows:

- 37 (1) For each prior adjudication of a Class A through E felony offense, 4 points.
- 38 (2) For each prior adjudication of a Class F through I felony offense or Class A1
 39 misdemeanor offense, 2 points.
- 40 (2a) For each prior conviction of a Class A through E felony, 2 points.
- 41 (2b) For each prior conviction of a Class F through I felony or Class A1
 42 misdemeanor offense, excluding conviction of the motor vehicle laws, 2
 43 points.
- 44 (2c) For each prior misdemeanor conviction of impaired driving (G.S. 20-138.1),
 45 impaired driving in a commercial vehicle (G.S. 20-138.2), and misdemeanor
 46 death by vehicle (G.S. 20-141.4(a2)), 2 points.
- 47 (3) For each prior adjudication of a Class 1, 2, or 3 misdemeanor offense, 1
 48 point.
- 49 (3a) For each prior conviction of a Class 1, 2, or 3 misdemeanor offense,
 50 excluding conviction for violation of the motor vehicle laws, 1 point.
- 51 (4) If the juvenile was on probation at the time of offense, 2 points.

1 No points shall be assigned for a prior adjudication that a juvenile is in direct contempt of
2 court or indirect contempt of court.

3 (c) Delinquency History Levels. – The delinquency history levels are:

4 (1) Low – No more than 1 point.

5 (2) Medium – At least 2, but not more than 3 points.

6 (3) High – At least 4 points.

7 In determining the delinquency history level, the classification of a prior offense is the
8 classification assigned to that offense at the time the juvenile committed the offense for which
9 disposition is being ordered.

10 (d) Multiple Prior Adjudications or Convictions Obtained in One Court Session. – For
11 purposes of determining the delinquency history level, if a juvenile is adjudicated delinquent or
12 convicted for more than one offense in a single session of district court, only the adjudication
13 or conviction for the offense with the highest point total is used.

14 (e) Classification of Prior Adjudications or Convictions From Other Jurisdictions. –
15 Except as otherwise provided in this subsection, an adjudication or conviction occurring in a
16 jurisdiction other than North Carolina is classified as a Class I felony if the jurisdiction in
17 which the offense occurred classifies the offense as a felony, or is classified as a Class 3
18 misdemeanor if the jurisdiction in which the offense occurred classifies the offense as a
19 misdemeanor. If the juvenile proves by the preponderance of the evidence that an offense
20 classified as a felony in the other jurisdiction is substantially similar to an offense that is a
21 misdemeanor in North Carolina, the adjudication or conviction is treated as that class of
22 misdemeanor for assigning delinquency history level points. If the State proves by the
23 preponderance of the evidence that an offense classified as either a misdemeanor or a felony in
24 the other jurisdiction is substantially similar to an offense in North Carolina that is classified as
25 a Class I felony or higher, the adjudication or conviction is treated as that class of felony for
26 assigning delinquency history level points. If the State proves by the preponderance of the
27 evidence that an offense classified as a misdemeanor in the other jurisdiction is substantially
28 similar to an offense classified as a Class A1 misdemeanor in North Carolina, the adjudication
29 or conviction is treated as a Class A1 misdemeanor for assigning delinquency history level
30 points.

31 (f) ~~Proof of Prior Adjudications.~~ Adjudications or Convictions. – A prior adjudication or
32 conviction shall be proved by any of the following methods:

33 (1) Stipulation of the parties.

34 (2) An original or copy of the court record of the prior ~~adjudication.~~ adjudication
35 or conviction.

36 (3) A copy of records maintained by the Department of Public Safety or by the
37 Division.

38 (4) Any other method found by the court to be reliable.

39 The State bears the burden of proving, by a preponderance of the evidence, that a prior
40 adjudication or conviction exists and that the juvenile before the court is the same person as the
41 juvenile named in the prior ~~adjudication.~~ adjudication or conviction. The original or a copy of
42 the court records or a copy of the records maintained by the Department of Public Safety or of
43 the Division, bearing the same name as that by which the juvenile is charged, is prima facie
44 evidence that the juvenile named is the same person as the juvenile before the court, and that
45 the facts set out in the record are true. For purposes of this subsection, "a copy" includes a
46 paper writing containing a reproduction of a record maintained electronically on a computer or
47 other data processing equipment, and a document produced by a facsimile machine. The
48 prosecutor shall make all feasible efforts to obtain and present to the court the juvenile's full
49 record. Evidence presented by either party at trial may be utilized to prove prior
50 ~~adjudications.~~ adjudications or convictions. If asked by the juvenile, the prosecutor shall furnish
51 the juvenile's prior adjudications or convictions to the juvenile within a reasonable time

1 sufficient to allow the juvenile to determine if the record available to the prosecutor is
2 accurate."

3 **SECTION 16D.4.(g)** G.S. 7B-2513(a) reads as rewritten:

4 "(a) Pursuant to G.S. 7B-2506 and G.S. 7B-2508, the court may commit a delinquent
5 juvenile who is at least 10 years of age to the Division for placement in a youth development
6 center. Commitment shall be for an indefinite term of at least six months.

7 (a1) In no event shallFor an offense the juvenile committed prior to reaching the age of
8 16 years, the term shall not exceed:

9 (1) The twenty-first birthday of the juvenile if the juvenile has been committed
10 to the Division for an offense that would be first-degree murder pursuant to
11 G.S. 14-17, first-degree forcible rape pursuant to G.S. 14-27.21, first-degree
12 statutory rape pursuant to G.S. 14-27.24, first-degree forcible sexual offense
13 pursuant to G.S. 14-27.26, or first-degree statutory sexual offense pursuant
14 to G.S. 14-27.29 if committed by an adult;

15 (2) The nineteenth birthday of the juvenile if the juvenile has been committed to
16 the Division for an offense that would be a Class B1, B2, C, D, or E felony if
17 committed by an adult, other than an offense set forth in subdivision (1) of
18 this subsection; or

19 (3) The eighteenth birthday of the juvenile if the juvenile has been committed to
20 the Division for an offense other than an offense that would be a Class A,
21 B1, B2, C, D, or E felony if committed by an adult.

22 (a2) For an offense the juvenile committed while the juvenile was at least 16 years of age
23 but less than 17 years of age, the term shall not exceed the juvenile's 19th birthday.

24 (a3) For an offense the juvenile committed while the juvenile was at least 17 years of
25 age, the term shall not exceed the juvenile's 20th birthday.

26 (a4) No juvenile shall be committed to a youth development center beyond the minimum
27 six-month commitment for a period of time in excess of the maximum term of imprisonment
28 for which an adult in prior record level VI for felonies or in prior conviction level III for
29 misdemeanors could be sentenced for the same offense, except when the Division pursuant to
30 G.S. 7B-2515 determines that the juvenile's commitment needs to be continued for an
31 additional period of time to continue care or treatment under the plan of care or treatment
32 developed under subsection (f) of this section. At the time of commitment to a youth
33 development center, the court shall determine the maximum period of time the juvenile may
34 remain committed before a determination must be made by the Division pursuant to
35 G.S. 7B-2515 and shall notify the juvenile of that determination."

36 **SECTION 16D.4.(h)** G.S. 7B-2515(a) reads as rewritten:

37 "(a) In determining whether a juvenile who was committed prior to the juvenile reaching
38 the age of 16 years should be released before the juvenile's 18th birthday, the Division shall
39 consider the protection of the public and the likelihood that continued placement will lead to
40 further rehabilitation. If the Division does not intend to release the juvenile who was committed
41 prior to the juvenile reaching the age of 16 years prior to the juvenile's eighteenth birthday, or if
42 the Division determines that the juvenile's commitment should be continued beyond the
43 maximum commitment period as set forth in ~~G.S. 7B-2513(a)~~, G.S. 7B-2513(a1), the Division
44 shall notify the juvenile and the juvenile's parent, guardian, or custodian in writing at least 30
45 days in advance of the juvenile's eighteenth birthday or the end of the maximum commitment
46 period, of the additional specific commitment period proposed by the Division, the basis for
47 extending the commitment period, and the plan for future care or treatment."

48 **SECTION 16D.4.(i)** G.S. 7B-2603(b) reads as rewritten:

49 "(b) Once an order of transfer has been entered by the district court, the juvenile has the
50 right to be considered for pretrial release as provided in G.S. 15A-533 and G.S. 15A-534. ~~The~~
51 ~~release order shall specify the person or persons to whom the juvenile may be released. Pending~~

1 ~~release, the court shall order that the juvenile be detained in a detention facility while awaiting~~
 2 ~~trial. The court may order the juvenile to be held in a holdover facility as defined by G.S.~~
 3 ~~7B-1501 at any time the presence of the juvenile is required in court for pretrial hearings or~~
 4 ~~trial, if the court finds that it would be inconvenient to return the juvenile to the detention~~
 5 ~~facility. Pending release, the juvenile shall be detained pursuant to G.S. 7B-2204."~~

6 **SECTION 16D.4.(j)** G.S. 5A-31(a) reads as rewritten:

7 "(a) Each of the following, when done by an unemancipated minor who (i) is at least six
 8 years of age, (ii) is not yet ~~16~~18 years of age, and (iii) has not been convicted of any crime in
 9 superior court, is contempt by a juvenile:

10"

11 **SECTION 16D.4.(k)** G.S. 5A-34(b) reads as rewritten:

12 "(b) The provisions of Article 1 and Article 2 of this Chapter apply to acts or omissions
 13 by a minor who:

14 (1) ~~Is 16 years of age or older;~~

15 (2) Is married or otherwise emancipated; or

16 (3) Before the act or omission, was convicted in superior court of any criminal
 17 offense."

18 **SECTION 16D.4.(l)** G.S. 14-316.1 reads as rewritten:

19 **"§ 14-316.1. Contributing to delinquency and neglect by parents and others.**

20 Any person who is at least ~~16~~18 years old who knowingly or willfully causes, encourages,
 21 or aids any juvenile within the jurisdiction of the court to be in a place or condition, or to
 22 commit an act whereby the juvenile could be adjudicated delinquent, undisciplined, abused, or
 23 neglected as defined by G.S. 7B-101 and G.S. 7B-1501 shall be guilty of a Class 1
 24 misdemeanor.

25 It is not necessary for the district court exercising juvenile jurisdiction to make an
 26 adjudication that any juvenile is delinquent, undisciplined, abused, or neglected in order to
 27 prosecute a parent or any person, including an employee of the Division of Juvenile Justice of
 28 the Department of Public Safety under this section. An adjudication that a juvenile is
 29 delinquent, undisciplined, abused, or neglected shall not preclude a subsequent prosecution of a
 30 parent or any other person including an employee of the Division of Juvenile Justice of the
 31 Department of Public Safety, who contributes to the delinquent, undisciplined, abused, or
 32 neglected condition of any juvenile."

33 **SECTION 16D.4.(m)** G.S. 143B-805(6) reads as rewritten:

34 "(6) Delinquent juvenile. –

35 a. Any juvenile who, while less than 16 years of age but at least 6 years
 36 of age, commits a crime or infraction under State law or under an
 37 ordinance of local government, including violation of the motor
 38 vehicle laws.

39 b. Any juvenile who, while less than 18 years of age but at least 16
 40 years of age, commits a misdemeanor or infraction under State law or
 41 under an ordinance of local government, excluding violation of the
 42 motor vehicle laws."

43 **SECTION 16D.4.(n)** G.S. 143B-806(b) is amended by adding a new subdivision to

44 read:

45 "(20) Provide for the transportation to and from any State or local juvenile facility
 46 of any person under the jurisdiction of the juvenile court for any purpose
 47 required by Chapter 7B of the General Statutes or upon order of the court."

49 **VICTIM REQUEST/REVIEW OF DECISION NOT TO FILE A PETITION**

50 **SECTION 16D.4.(o)** G.S. 7B-1703(c) reads as rewritten:

1 "(c) If the juvenile court counselor determines that a petition should not be filed, the
2 juvenile court counselor shall notify the complainant and the victim, if the complainant is not
3 the victim, immediately in writing with specific reasons for the decision, whether or
4 not legal sufficiency was found, and whether the matter was closed or diverted and retained,
5 and shall include notice of the complainant's and victim's right to have the decision reviewed by
6 the prosecutor. The juvenile court counselor shall sign the complaint after indicating on it:

- 7 (1) The date of the determination;
- 8 (2) The words "Not Approved for Filing"; and
- 9 (3) Whether the matter is "Closed" or "Diverted and Retained".

10 Except as provided in G.S. 7B-1706, any complaint not approved for filing as a juvenile
11 petition shall be destroyed by the juvenile court counselor after holding the complaint for a
12 temporary period to allow review as provided in G.S. 7B-1705."

13 **SECTION 16D.4.(p)** G.S. 7B-1704 reads as rewritten:

14 **"§ 7B-1704. Request for review by prosecutor.**

15 The complainant ~~has~~ and the victim have five calendar days, from receipt of the juvenile
16 court counselor's decision not to approve the filing of a petition, to request review by the
17 prosecutor. The juvenile court counselor shall notify the prosecutor immediately of such
18 request and shall transmit to the prosecutor a copy of the complaint. The prosecutor shall notify
19 the ~~complainant~~ complainant, the victim, and the juvenile court counselor of the time and place
20 for the review."

21 **SECTION 16D.4.(q)** G.S. 7B-1705 reads as rewritten:

22 **"§ 7B-1705. Review of determination that petition should not be filed.**

23 No later than 20 days after the complainant ~~is~~ and the victim are notified, the prosecutor
24 shall review the juvenile court counselor's determination that a juvenile petition should not be
25 filed. Review shall include conferences with the ~~complainant~~ complainant, the victim, and the
26 juvenile court counselor. At the conclusion of the review, the prosecutor shall: (i) affirm the
27 decision of the juvenile court counselor or direct the filing of a petition and (ii) notify the
28 complainant and the victim of the prosecutor's action."

29 **SECTION 16D.4.(r)** G.S. 143B-806(b) is amended by adding a new subdivision to

30 read:

31 "(14a) Develop and administer a system to provide information to victims and
32 complainants regarding the status of pending complaints and the right of a
33 complainant and victim to request review under G.S. 7B-1704 of a decision
34 to not file a petition."

36 INCREASE INFORMATION AVAILABLE ON JUVENILES TO LAW 37 ENFORCEMENT AND FOR COURT PROCEEDINGS

38 **SECTION 16D.4.(s)** G.S. 7B-3001 reads as rewritten:

39 **"§ 7B-3001. Other records relating to juveniles.**

40 (a) The chief court counselor shall maintain a record of all cases of juveniles under
41 supervision of juvenile court counselors, to be known as the juvenile court counselor's record.
42 The juvenile court counselor's record shall include the juvenile's delinquency record;
43 consultations with law enforcement that did not result in the filing of a complaint; family
44 background information; reports of social, medical, psychiatric, or psychological information
45 concerning a juvenile or the juvenile's family; probation reports; interviews with the juvenile's
46 family; or other information the court finds should be protected from public inspection in the
47 best interests of the juvenile.

48 (a1) To assist at the time of investigation of an incident that could result in the filing of a
49 complaint, upon request, a juvenile court counselor shall share with a law enforcement officer
50 sworn in this State information from the juvenile court counselor's record related to a juvenile's
51 delinquency record or prior consultations with law enforcement. A law enforcement officer

1 may not obtain copies of any part of the record, and all information shared pursuant to this
2 subsection shall be withheld from public inspection as provided in subsection (b) of this
3 section.

4 (b) Unless jurisdiction of the juvenile has been transferred to superior court, all law
5 enforcement records and files concerning a juvenile shall be kept separate from the records and
6 files of adults and shall be withheld from public inspection. The following persons may
7 examine and obtain copies of law enforcement records and files concerning a juvenile without
8 an order of the court:

- 9 (1) The juvenile or the juvenile's attorney;
- 10 (2) The juvenile's parent, guardian, custodian, or the authorized representative of
11 the juvenile's parent, guardian, or custodian;
- 12 (3) The prosecutor;
- 13 (4) Juvenile court counselors; and
- 14 (5) Law enforcement officers sworn in this State.

15 Otherwise, the records and files may be examined or copied only by order of the court.

16 (c) All records and files maintained by the Division pursuant to this Chapter shall be
17 withheld from public inspection. The following persons may examine and obtain copies of the
18 Division records and files concerning a juvenile without an order of the court:

- 19 (1) The juvenile and the juvenile's attorney;
- 20 (2) The juvenile's parent, guardian, custodian, or the authorized representative of
21 the juvenile's parent, guardian, or custodian;
- 22 (3) Professionals in the agency who are directly involved in the juvenile's case;
23 and
- 24 (4) Juvenile court counselors.

25 Otherwise, the records and files may be examined or copied only by order of the court. The
26 court may inspect and order the release of records maintained by the Division.

27 (d) When the Section of Community Corrections of the Division of Adult Correction of
28 the Department of Public Safety is authorized to access a juvenile record pursuant to
29 G.S. 7B-3000(e1), the Division may, at the request of the Section of Community Corrections of
30 the Division of Adult Correction, notify the Section of Community Corrections of the Division
31 of Adult Correction that there is a juvenile record of an adjudication of delinquency for an
32 offense that would be a felony if committed by an adult for a person subject to probation
33 supervision under Article 82 of Chapter 15A of the General Statutes and may notify the Section
34 of Community Corrections of the Division of Adult Correction of the county or counties where
35 the adjudication of delinquency occurred."

36 **SECTION 16D.4.(t)** By July 1, 2018, the Administrative Office of the Courts shall
37 expand access to its automated electronic information management system for juvenile courts,
38 JWise, to include prosecutors and attorneys representing juveniles in juvenile court
39 proceedings. Access shall be limited to examining electronic records related to juvenile
40 delinquency information. Other information contained in JWise, such as any records pertaining
41 to abuse, neglect, and dependency or termination of parental rights, shall not be made available
42 to a prosecutor or juvenile's attorney through JWise.

43 Due to the increased mobility of North Carolina citizens across counties, the
44 Administrative Office of the Courts shall develop a statewide search function for all users of
45 the JWise computer system to improve tracking information of juvenile records by July 1,
46 2018.

47 **SCHOOL-JUSTICE PARTNERSHIPS TO REDUCE SCHOOL-BASED REFERRALS** 48 **TO JUVENILE COURTS**

49 **SECTION 16D.4.(u)** G.S. 7A-343 reads as rewritten:
50 "§ 7A-343. Duties of Director.
51

1 The Director is the Administrative Officer of the Courts, and the Director's duties include
2 all of the following:

3 ...

4 (9g) Prescribe policies and procedures for Chief District Court Judges to establish
5 School-Justice Partnerships with local law enforcement agencies, local
6 boards of education, and local school administrative units with the goal of
7 reducing in-school arrests, out-of-school suspension, and expulsions.

8"

10 JUVENILE JUSTICE TRAINING FOR LAW ENFORCEMENT OFFICERS

11 SECTION 16D.4.(v) G.S. 17C-6(a) reads as rewritten:

12 "§ 17C-6. Powers of Commission.

13 (a) In addition to powers conferred upon the Commission elsewhere in this Chapter, the
14 Commission shall have the following powers, which shall be enforceable through its rules and
15 regulations, certification procedures, or the provisions of G.S. 17C-10:

16 ...

17 (2) Establish minimum educational and training standards that must be met in
18 order to qualify for entry level employment and retention as a criminal
19 justice officer in temporary or probationary status or in a permanent position.
20 The standards for entry level employment shall include ~~education~~all of the
21 following:

22 a. Education and training in response to, and investigation of, domestic
23 violence cases, as well as training in investigation for evidence-based
24 prosecutions.

25 b. Education and training on juvenile justice issues, including (i) the
26 handling and processing of juvenile matters for referrals, diversion,
27 arrests, and detention; (ii) best practices for handling incidents
28 involving juveniles; (iii) adolescent development and psychology;
29 and (iv) promoting relationship building with youth as a key to
30 delinquency prevention.

31 ...

32 (14) Establish minimum standards for in-service training for criminal justice
33 officers. In-service training standards shall include ~~training~~all of the
34 following:

35 a. Training in response to, and investigation of, domestic violence
36 cases, as well as training investigation for evidence-based
37 prosecutions.

38 b. Training on juvenile justice issues, including (i) the handling and
39 processing of juvenile matters for referrals, diversion, arrests, and
40 detention; (ii) best practices for handling incidents involving
41 juveniles; (iii) adolescent development and psychology; and (iv)
42 promoting relationship building with youth as a key to delinquency
43 prevention.

44 (15) Establish minimum standards and levels of training for certification of
45 instructors for the domestic violence training and juvenile justice training
46 required by subdivisions (2) and (14) of this subsection.

47"

48 SECTION 16D.4.(w) G.S. 17E-4(a) reads as rewritten:

49 "§ 17E-4. Powers and duties of the Commission.

1 (a) The Commission shall have the following powers, duties, and responsibilities,
2 which are enforceable through its rules and regulations, certification procedures, or the
3 provisions of G.S. 17E-8 and G.S. 17E-9:

4 ...
5 (2) Establish minimum educational and training standards that may be met in
6 order to qualify for entry level employment as an officer in temporary or
7 probationary status or in a permanent position. The standards for entry level
8 employment of officers shall include ~~training~~all of the following:

9 a. Training in response to, and investigation of, domestic violence
10 cases, as well as training in investigation for evidence-based
11 prosecutions. For purposes of the domestic violence training
12 requirement, the term "officers" shall include justice officers as
13 defined in G.S. 17E-2(3)a., except that the term shall not include
14 "special deputy sheriffs" as defined in ~~G.S.~~
15 ~~17E-2(3)a.;~~G.S. 17E-2(3)a.

16 b. Training on juvenile justice issues, including (i) the handling and
17 processing of juvenile matters for referrals, diversion, arrests, and
18 detention; (ii) best practices for handling incidents involving
19 juveniles; (iii) adolescent development and psychology; and (iv)
20 promoting relationship building with youth as a key to delinquency
21 prevention.

22 ...
23 (11) Establish minimum standards for in-service training for justice officers.
24 In-service training standards shall include ~~training~~all of the following:

25 a. Training in response to, and investigation of, domestic violence
26 cases, as well as training in investigation for evidence-based
27 prosecutions. For purposes of the domestic violence training
28 requirement, the term "justice officer" shall include those defined in
29 G.S. 17E-2(3)a., except that the term shall not include "special
30 deputy sheriffs" as defined in ~~G.S. 17E-2(3)a.;~~G.S. 17E-2(3)a.

31 b. Training on juvenile justice issues, including (i) the handling and
32 processing of juvenile matters for referrals, diversion, arrests, and
33 detention; (ii) best practices for handling incidents involving
34 juveniles; (iii) adolescent development and psychology; and (iv)
35 promoting relationship building with youth as a key to delinquency
36 prevention.

37 (12) Establish minimum standards and levels of training for certification of
38 instructors for the domestic violence training and juvenile justice training
39 required by subdivisions (2) and (11) of this subsection.

40 The Commission may certify, and no additional certification shall be required from it,
41 programs, courses and teachers certified by the North Carolina Criminal Justice Education and
42 Training Standards Commission. Where the Commission determines that a program, course,
43 instructor, or teacher is required for an area which is unique to the office of sheriff, the
44 Commission may certify such program, course, instructor, or teacher under such standards and
45 procedures as it may establish."

46 **SECTION 16D.4.(x)** In developing and implementing the education and training
47 required by subsections (a) and (b) of this section, the North Carolina Criminal Justice
48 Education and Training Standards Commission and the North Carolina Sheriffs' Education and
49 Training Standards Commission shall work with the Division of Adult Correction and Juvenile
50 Justice of the Department of Public Safety.

ESTABLISH JUVENILE JURISDICTION ADVISORY COMMITTEE

SECTION 16D.4.(y) Advisory Committee Established. – There is established within the Division of Adult Correction and Juvenile Justice of the Department of Public Safety the Juvenile Jurisdiction Advisory Committee. The Division of Adult Correction and Juvenile Justice shall provide professional and clerical staff and other services and supplies, including meeting space, as needed, for the Advisory Committee to carry out its duties in an effective manner.

SECTION 16D.4.(z) Membership. – The Advisory Committee shall consist of 21 members. The following members or their designees shall serve as ex officio members:

- (1) The Deputy Commissioner for Juvenile Justice of the Division of Adult Correction and Juvenile Justice of the Department of Public Safety.
- (2) The Director of the Administrative Office of the Courts.
- (3) The Director of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the Department of Health and Human Services.
- (4) The Superintendent of Public Instruction.
- (5) The Juvenile Defender in the Office of Indigent Defense.
- (6) The Executive Director of the North Carolina Sentencing and Policy Advisory Commission.
- (7) One representative from the Juvenile Justice Planning Committee of the Governor's Crime Commission.

The remaining members shall be appointed as follows:

- (8) Two chief court counselors appointed by the Governor, one to be from a rural county and one from an urban county.
- (9) One chief district court judge and one superior court judge appointed by the Chief Justice of the North Carolina Supreme Court.
- (10) One police chief appointed by the President Pro Tempore of the Senate.
- (11) One sheriff appointed by the Speaker of the House of Representatives.
- (12) One clerk of superior court appointed by the President Pro Tempore of the Senate.
- (13) One district attorney appointed by the Speaker of the House of Representatives.
- (14) One assistant district attorney who handles juvenile matters appointed by the Conference of District Attorneys.
- (15) One assistant public defender who handles juvenile matters appointed by the North Carolina Association of Public Defenders.
- (16) Two representatives from the juvenile advocacy community, one appointed by the President Pro Tempore of the Senate and one appointed by the Speaker of the House of Representatives.
- (17) Two representatives from the victim advocacy community, one appointed by the President Pro Tempore of the Senate and one appointed by the Speaker of the House of Representatives.

Appointments to the Advisory Committee shall be made no later than August 1, 2017. A vacancy in the Advisory Committee or a vacancy as chair of the Advisory Committee resulting from the resignation of a member or otherwise shall be filled in the same manner in which the original appointment was made.

SECTION 16D.4.(aa) Chair; Meetings. – The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate one member to serve as cochair of the Advisory Committee.

The Advisory Committee shall meet in such manner as its members determine. A majority of the members of the Advisory Committee shall constitute a quorum.

1 **SECTION 16D.4.(bb)** Cooperation by Government Agencies. – The Advisory
2 Committee may call upon any department, agency, institution, or officer of the State or any
3 political subdivision thereof for facilities, data, or other assistance.

4 **SECTION 16D.4.(cc)** Duties of Advisory Committee. – The Advisory Committee
5 shall develop a specific plan for the implementation of any changes in the juvenile justice
6 system that would be required in order to extend jurisdiction in delinquency matters and
7 proceedings to include 16- and 17-year-old persons within the juvenile justice system. When
8 developing the plan the Advisory Committee shall also consider whether the extension of
9 jurisdiction should include or exclude juveniles who commit the Class A1 offense of
10 misdemeanor assault on a law enforcement officer. The plan shall include cost estimates for
11 each portion of the plan, including capital costs, operating costs, and staffing costs.

12 The Advisory Committee shall also do a cost analysis for a staggered
13 implementation of the expansion of jurisdiction in delinquency matters and proceedings based
14 on age and shall make recommendations on how to stagger the implementation of this act.

15 As the expansion of the jurisdiction of the Division of Juvenile Justice to include
16 persons 16 and 17 years of age who commit crimes or infractions becomes effective pursuant to
17 this act, the Advisory Committee shall monitor and review the implementation of the expansion
18 and shall make additional recommendations to the General Assembly as necessary.

19 **SECTION 16D.4.(dd)** Consultation. – The Advisory Committee shall consult with
20 appropriate State departments, agencies, and board representatives on issues related to juvenile
21 justice administration.

22 **SECTION 16D.4.(ee)** Report. – By November 1, 2017, the Advisory Committee
23 shall submit an interim report to the General Assembly with copies to the Joint Legislative
24 Oversight Committee on Justice and Public Safety and to the Appropriations Committees on
25 Justice and Public Safety of both houses containing (i) the specific plan and the cost estimates
26 for capital, operating, and staffing costs for implementation of this act, including legislative,
27 administrative, and funding recommendations necessary to implement the increase in juvenile
28 jurisdiction to include 16- and 17-year-old persons and (ii) cost estimates for capital, operating,
29 and staffing costs if the implementation of this act was staggered based on age. The report shall
30 also include its findings and recommendations as to whether the extension of jurisdiction in
31 delinquency matters and proceedings should include juveniles who commit the Class A1
32 offense of misdemeanor assault on a law enforcement officer.

33 The Advisory Committee shall submit additional interim reports with updates on the
34 planning steps completed towards implementation, including any legislative, administrative,
35 and funding recommendations, annually by January 15 of each year.

36 The Advisory Committee shall submit a final report on the implementation of this
37 act and its findings and recommendations, including legislative, administrative, and funding
38 recommendations, by January 15, 2023, to the General Assembly and the Governor. The
39 Advisory Committee shall terminate on February 1, 2023, or upon the filing of its final report,
40 whichever occurs earlier.

41 **SECTION 16D.4.(ff)** Funding. – The Advisory Committee may apply for, receive,
42 and accept grants of non-State funds or other contributions, as appropriate, to assist in the
43 performance of its duties. The Division of Juvenile Justice shall use available funds to cover
44 costs incurred by the Advisory Committee when carrying out its duties.

45 **EFFECTIVE DATE**

46 **SECTION 16D.4.(gg)** Subsections (a) through (n) of this section become effective
47 December 1, 2020, and apply to offenses committed on or after that date. Subsections (o)
48 through (r) and subsection (s) of this section become effective July 1, 2017, and subsections (o)
49 through (r) apply to all complaints filed on or after that date. Except as otherwise provided in
50 this section, the remainder of this section is effective when it becomes law. Prosecutions or
51

1 delinquency proceedings initiated for offenses committed before any particular subsection of
2 this section becomes effective are not abated or affected by this section and the statutes that are
3 in effect on the dates the offenses are committed remain applicable to those prosecutions.
4

5 **SUBPART XVI-E. EMERGENCY MANAGEMENT AND NATIONAL GUARD**

6 **RECOVERY COSTS OF HAZARDOUS MATERIALS EMERGENCY**

7 **SECTION 16E.1.(a)** G.S. 166A-27(a) reads as rewritten:

8 "(a) A person who causes the release of a hazardous material requiring the activation of
9 a regional response team shall be liable for all reasonable costs incurred by the regional
10 response team in responding to and mitigating the ~~incident~~incident, including fifty percent
11 (50%) of the cost of personnel, equipment, and supplies utilized in response to the incident, if
12 the incident is the result of an accident and one hundred percent (100%) of the cost of
13 personnel, equipment, and supplies utilized in response to the incident, if the incident is a result
14 of negligence or intentional acts. The Secretary shall invoice the person liable for the hazardous
15 materials release, and, in the event of nonpayment, may institute an action to recover those
16 costs in the superior court of the county in which the release occurred."
17

18 **SECTION 16E.1.(b)** This section is effective when it becomes law.
19

20 **PART XVII. DEPARTMENT OF JUSTICE**

21 **NO HIRING OF SWORN STAFF POSITIONS FOR NC STATE CRIME LAB**

22 **SECTION 17.1.** The Department of Justice shall not hire sworn personnel to fill
23 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be
24 construed to require the termination of sworn personnel or to affect North Carolina State Crime
25 Laboratory personnel who are sworn and employed by the Laboratory as of the effective date
26 of this section and who continue to meet the sworn status retention standards mandated by the
27 North Carolina Criminal Justice Education and Standards Commission.
28
29

30 **COMPANY POLICE AUTHORITY**

31 **SECTION 17.2.(a)** G.S. 74E-6 is amended by adding two new subsections to read:

32 "(h) Mutual Aid Agreements. – All company police agencies that qualify pursuant to this
33 Chapter may enter into mutual aid agreements with the governing board of a municipality or,
34 with the consent of the county sheriff, a county to the same extent as a municipal police
35 department pursuant to Chapter 160A of the General Statutes.

36 "(i) As-Needed Assistance. – All company police may provide assistance to a law
37 enforcement agency at the request of the head of that agency, such as the sheriff or chief of
38 police, regardless of whether there is an agreement in place under subsection (h) of this
39 section."

40 **SECTION 17.2.(b)** This section is effective when it becomes law.
41

42 **PED TO STUDY ALLOCATION OF ATTORNEYS BETWEEN THE ATTORNEY** 43 **GENERAL'S OFFICE AND DEPARTMENTS**

44 **SECTION 17.3.** The Joint Legislative Program Evaluation Oversight Committee
45 shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include
46 an evaluation of the allocation of attorneys in State Government, including the use of general
47 counsel within State agencies, the use of private attorneys, and the use of attorneys in the
48 Department of Justice. The Program Evaluation Division shall submit its evaluation to the Joint
49 Legislative Program Evaluation Oversight Committee and to the chairs of the Joint Legislative
50 Oversight Committee on Justice and Public Safety no later than March 1, 2018.
51

STRENGTHEN HUMAN TRAFFICKING LAWS

SECTION 17.4.(a) Article 27 of Chapter 14 of the General Statutes is amended by adding a new section to read as follows:

"§ 14-202.13. Human trafficking public awareness sign.

An adult establishment, as defined in G.S. 14-202.10, shall prominently display on the premises in a place that is clearly conspicuous and visible to employees and the public a public awareness sign created and provided by the North Carolina Human Trafficking Commission that contains the National Human Trafficking Resource hotline information."

SECTION 17.4.(b) G.S. 18B-1003 reads as rewritten:

"§ 18B-1003. Responsibilities of permittee.

...

(c1) Posting Human Trafficking Hotline. – All permittees shall prominently display on the premises in a place that is clearly conspicuous and visible to employees and the public a public awareness sign created and provided by the North Carolina Human Trafficking Commission that contains the National Human Trafficking Resource hotline information.

...."

SECTION 17.4.(c) Article 1 of Chapter 19 of the General Statutes is amended by adding a new section to read as follows:

"§ 19-8.4. Human trafficking public awareness sign.

The owner, operator, or agent in charge of a business described in G.S. 19-1.2 shall prominently display on the premises in a place that is clearly conspicuous and visible to employees and the public a public awareness sign created and provided by the North Carolina Human Trafficking Commission that contains the National Human Trafficking Resource hotline information."

SECTION 17.4.(d) Article 5 of Chapter 131E of the General Statutes is amended by adding a new section to read as follows:

"§ 131E-84.1. Human trafficking public awareness sign.

Each hospital licensed under this Article shall prominently display in its emergency room or emergency department in a place that is clearly conspicuous and visible to employees and the public a public awareness sign created and provided by the North Carolina Human Trafficking Commission that contains the National Human Trafficking Resource hotline information."

SECTION 17.4.(e) G.S. 143B-348 reads as rewritten:

"§ 143B-348. Department of Transportation – head; rules, regulations, etc., of Board of Transportation.

(a) The Secretary of Transportation shall be the head of the Department of Transportation. He shall carry out the day-to-day operations of the Department and shall be responsible for carrying out the policies, programs, priorities, and projects approved by the Board of Transportation. He shall be responsible for all other transportation matters assigned to the Department of Transportation, except those reserved to the Board of Transportation by statute. Except as otherwise provided for by statute, the Secretary shall have all the powers and duties as provided for in Article 1 of Chapter 143B including the responsibility for all management functions for the Department of Transportation. The Secretary shall be vested with authority to adopt design criteria, construction specifications, and standards as required for the Department of Transportation to construct and maintain highways, bridges, and ferries. The Secretary or the Secretary's designee shall be vested with authority to promulgate rules and regulations concerning all transportation functions assigned to the Department.

(b) All rules, regulations, ordinances, specifications, standards, and criteria adopted by the Board of Transportation and in effect on July 1, 1977, shall continue in effect until changed by the Board of Transportation or the Secretary of Transportation. The Secretary shall have complete authority to modify any of these matters existing on July 1, 1977, except as

1 specifically restricted by the Board. Whenever any such criteria, rule, regulation, ordinance,
2 specification, or standards are continued in effect under this section and the words "Board of
3 Transportation" are used, the words shall mean the "Department of Transportation" unless the
4 context makes such meaning inapplicable. All actions pending in court by or against the Board
5 of Transportation may continue to be prosecuted in that name without the necessity of formally
6 amending the name to the Department of Transportation.

7 (c) The Secretary of Transportation shall require that every transportation station, rest
8 area, and welcome center in the State prominently display in a place that is clearly conspicuous
9 and visible to employees and the public a public awareness sign created and provided by the
10 North Carolina Human Trafficking Commission that contains the National Human Trafficking
11 Resource hotline information."

12 **SECTION 17.4.(f)** Article 10 of Chapter 143B of the General Statutes is amended
13 by adding a new section to read as follows:

14 **"§ 143B-431.3. Human trafficking public awareness sign.**

15 The Secretary of the Department of Commerce shall require that every JobLink or other
16 center under its authority that offers employment or training services to the public prominently
17 display in a place that is clearly conspicuous and visible to employees and the public a public
18 awareness sign created and provided by the North Carolina Human Trafficking Commission
19 that contains the National Human Trafficking Resource hotline information."

20 **SECTION 17.4.(g)** This section is effective when it becomes law.

21 **PART XVIII. JUDICIAL DEPARTMENT**

22 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

23 **IDS MATCH FOR GRANTS**

24 **SECTION 18A.1.** Notwithstanding G.S. 143C-6-9, during the 2017-2019 fiscal
25 biennium, Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000)
26 from funds available to provide the State matching funds needed to receive grant funds. Prior to
27 using funds for this purpose, Indigent Defense Services shall report to the chairs of the House
28 of Representatives Appropriations Committee on Justice and Public Safety and the Senate
29 Appropriations Committee on Justice and Public Safety on the grants to be matched using these
30 funds.

31 **PUBLIC DEFENDER WORKLOAD FORMULA**

32 **SECTION 18A.2.** Indigent Defense Services, in conjunction with the
33 Administrative Office of the Courts and the National Center for State Courts, shall develop a
34 workload formula for the public defender offices. The report shall include the number of public
35 defenders that Indigent Defense Services recommends to be allocated to each public defender
36 office. The report shall be submitted to the chairs of the Joint Legislative Oversight Committee
37 on Justice and Public Safety and the chairs of the House of Representatives Appropriations
38 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
39 and Public Safety no later than May 1, 2018.

40 **STANDARDS FOR INDIGENCY**

41 **SECTION 18A.3.** The Administrative Office of the Courts, in conjunction with
42 Indigent Defense Services, shall study and develop specific statewide standards for determining
43 indigency for defendants. The study shall include a review of the practices of other states
44 regarding determination of indigency, analysis of the cost-effectiveness of alternatives to the
45 status quo, and implementation plans for the standards agreed upon. The standards may take
46 local expenses and cost-of-living into account. The implementation plans should include
47
48
49
50
51

1 procedures for auditing future indigency determinations to ensure that the new standards are
2 working as intended. The Administrative Office of the Courts and Indigent Defense Services
3 shall issue a report to the chairs of the Joint Legislative Oversight Committee on Justice and
4 Public Safety by February 1, 2018.

6 **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

8 **COLLECTION OF WORTHLESS CHECKS**

9 **SECTION 18B.1.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial
10 Department may use any balance remaining in the Collection of Worthless Checks Fund on
11 June 30, 2017, for the purchase or repair of office or information technology equipment during
12 the 2017-2018 fiscal year and may use any balance remaining in the Collection of Worthless
13 Checks Fund on June 30, 2018, for the purchase or repair of office or information technology
14 equipment during the 2018-2019 fiscal year. Prior to using any funds under this section, the
15 Judicial Department shall report to the chairs of the House of Representatives and Senate
16 Appropriations Committees on Justice and Public Safety and the Office of State Budget and
17 Management on the equipment to be purchased or repaired and the reasons for the purchases.

19 **GRANT FUNDS**

20 **SECTION 18B.2.** Notwithstanding G.S. 143C-6-9, the Administrative Office of
21 the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) in
22 each year of the 2017-2019 fiscal biennium from funds available to the Department to provide
23 the State match needed in order to receive grant funds. Prior to using funds for this purpose, the
24 Department shall submit a report to the chairs of the House of Representatives Appropriations
25 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
26 and Public Safety on the grants to be matched using these funds.

28 **THIRD-PARTY ACCESS TO COURT RECORDS ANNUAL REPORT**

29 **SECTION 18B.3.(a)** G.S. 7A-109(e) reads as rewritten:
30 "**§ 7A-109. Record-keeping procedures.**

31 ...
32 (e) If any contracts entered into under ~~G.S. 7A-109(d)~~ subsection (d) of this section are
33 in effect during any calendar year, the Director of the Administrative Office of the Courts shall
34 submit to the ~~Joint Legislative Commission on Governmental Operations~~ House of
35 Representatives Appropriations Committee on Justice and Public Safety and the Senate
36 Appropriations Committee on Justice and Public Safety not later than February 1 of the
37 following year a report on all those contracts."

38 **SECTION 18B.3.(b)** This section is effective when it becomes law.

40 **BUSINESS COURT REPORTS**

41 **SECTION 18B.4.(a)** G.S. 7A-45.5 is repealed.

42 **SECTION 18B.4.(b)** G.S. 7A-343(8a) reads as rewritten:

43 "(8a) Prepare and submit a semiannual report on the activities of each North
44 Carolina business court site to the Chief ~~Justice~~ Justice, the chairs of the
45 House of Representatives Appropriations Committee on Justice and Public
46 Safety and the Senate Appropriations Committee on Justice and Public
47 Safety, the chairs of the of the Joint Legislative Oversight Committee on
48 Justice and Public Safety, and to each member all other members of the
49 General Assembly. Assembly on February 1 and August 1. The semiannual
50 report required under this subdivision shall be separate from the report
51 required under subdivision (8) of this section and shall include the total

~~number of civil cases pending in each business court site over three years after being designated as a mandatory complex business case, motions pending over six months after being filed, and civil cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court report shall include the following information for each business court site:~~

- ~~a. The number of new, closed, and pending cases for the previous three years.~~
- ~~b. The average age of pending cases.~~
- ~~c. The number of motions pending over six months after being filed.~~
- ~~d. The number of cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court.~~

~~The August 1 report shall include an accounting of all business court activities for the previous fiscal year, including the itemized annual expenditures."~~

SECTION 18B.4.(c) This section is effective when it becomes law.

DIGITAL FORENSICS INCLUDED IN COURT COSTS

SECTION 18B.5.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...
 (9a) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars (\$600.00) to be remitted to the Department of Justice to be used for laboratory purposes. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media.

(9b) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars (\$600.00) to be remitted to the general fund of the local law enforcement unit to be used for laboratory purposes. The cost shall be assessed only in (i) cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media, and (ii) if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (9a) of this subsection.

...
 (11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to G.S.

1 ~~20-139.1 or a~~G.S. 20-139.1, a forensic analysis pursuant to G.S.
 2 ~~8-58.20~~G.S. 8-58.20, or a digital forensics analysis and provides testimony
 3 about that analysis in a defendant's trial, the district or superior court judge
 4 shall, upon conviction of the defendant, order payment of the sum of six
 5 hundred dollars (\$600.00) to be remitted to the Department of Justice for
 6 support of the State Crime Laboratory. This cost shall be assessed only in
 7 cases in which the expert witness provides testimony about the chemical or
 8 forensic analysis in the defendant's trial and shall be in addition to any cost
 9 assessed under subdivision (7) or (9a) of this subsection.

10 (12) For the services of an expert witness employed by a crime laboratory
 11 operated by a local government or group of local governments who
 12 completes a chemical analysis pursuant to ~~G.S. 20-139.1 or a~~G.S. 20-139.1,
 13 a forensic analysis pursuant to G.S. 8-58.20, or a digital
 14 forensics analysis and provides testimony about that analysis in a defendant's
 15 trial, the district or superior court judge shall, upon conviction of the
 16 defendant, order payment of the sum of six hundred dollars (\$600.00) to be
 17 remitted to the general fund of the local governmental unit that operates the
 18 laboratory to be used for the local law enforcement ~~enforcement~~ laboratory.
 19 This cost shall be assessed only in cases in which the expert witness
 20 provides testimony about the chemical or forensic analysis in the defendant's
 21 trial and shall be in addition to any cost assessed under subdivision (8) or
 22 (9b) of this subsection.

23 "

24 **SECTION 18B.5.(b)** This section is effective when it becomes law.

25 **FEE WAIVER**

26 **SECTION 18B.6.** G.S. 7A-304(a) reads as rewritten:

27 "(a) In every criminal case in the superior or district court, wherein the defendant is
 28 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
 29 prosecuting witness, the following costs shall be assessed and collected. No costs may be
 30 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
 31 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
 32 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8),
 33 (8a), (11), (12), or (13) of this section. No court may waive or remit all or part of any court
 34 finer or costs without providing notice and opportunity to be heard by all government entities
 35 affected. The court shall provide notice to the government entities affected of (i) the date and
 36 time of the hearing and (ii) the right to be heard and make an objection to the remission or
 37 waiver of all or part of the order of court costs at least 15 days prior to hearing. Notice shall be
 38 made to the government entities affected by first-class mail to the address provided for receipt
 39 of court costs paid pursuant to the order.

40 "

41 **ELIMINATE EMERGENCY RECALL JUDGES**

42 **SECTION 18B.7.(a)** The following statutes are repealed: G.S. 7A-39.1, 7A-39.3,
 43 7A-39.5, 7A-39.6, 7A-39.7, 7A-39.8, 7A-39.9, 7A-39.10, 7A-39.13, 7A-39.14, 7A-39.15, and
 44 7A-45.2.

45 **SECTION 18B.7.(b)** G.S. 7A-48 reads as rewritten:

46 "**§ 7A-48. Jurisdiction of emergency judges.**

47 Emergency special superior court judges have the same power and authority in all matters
 48 ~~whatsoever, whatsoever~~ in the courts—complex business cases which they are assigned to
 49 ~~hold, assigned to hear and decide~~ that regular judges holding the same courts—special superior
 50 judges hold, assigned to hear and decide

1 court judges designated to hear and decide complex business cases would have. An emergency
 2 special superior court judge duly assigned to ~~hold the courts of~~ hear and decide complex
 3 business cases in a county or district or set of districts as defined in G.S. 7A-41.1(a) has the
 4 same powers in that county and district or set of districts in open court and in chambers ~~as that~~
 5 ~~resident~~ regular special superior court judge of the district or set of districts ~~or any judge~~
 6 ~~regularly~~ assigned to hold the hear and decide complex business cases in the courts of the
 7 district or set of districts would have, but his jurisdiction in chambers extends only until the
 8 session is adjourned or the session expires by operation of law, whichever is later."

9 **SECTION 18B.7.(c)** The title of Article 8 of Chapter 7A of the General Statutes
 10 and G.S. 7A-50 read as rewritten:

11 "Article 8.

12 "Retirement of Judges of the Superior Court; Retirement Compensation for Superior Court
 13 Judges; Recall to Emergency Service of Special Superior Court Judges of the District and
 14 Superior Court; Designated to Hear and Decide Complex Business Cases; Disability
 15 Retirement for Judges of the Superior Court.

16 **"§ 7A-50. Emergency judge defined.**

17 As used in this Article "emergency judge" means any special superior court judge of the
 18 ~~superior court~~ who has retired subject to recall to active service for temporary ~~duty~~ duty as
 19 assigned to hear and decide complex business court cases."

20 **SECTION 18B.7.(d)** G.S. 7A-52 reads as rewritten:

21 **"§ 7A-52. Retired ~~district and~~ special superior court judges designated to hear and decide
 22 complex business cases may become emergency judges subject to recall to
 23 active service; compensation for emergency judges on recall.**

24 (a) ~~Judges of the district court and judges of the superior court~~ Special superior court
 25 judges designated to hear and decide complex business court cases who have not reached the
 26 mandatory retirement age specified in G.S. 7A-4.20, but who have retired under the provisions
 27 of G.S. 7A-51, or under the Uniform Judicial Retirement Act after having completed five years
 28 of creditable service, may apply as provided in G.S. 7A-53 to become emergency ~~judges of the~~
 29 ~~court from which they retired.~~ judges. The Chief Justice of the Supreme Court may order any
 30 emergency judge ~~of the district or superior court~~ who, in his opinion, is competent to perform
 31 the duties of a special superior court judge of the court from which such judge
 32 ~~retired,~~ designated to hear and decide complex business cases to hold regular or special sessions
 33 ~~of such court, to hear and decide such cases,~~ as needed. Order of assignment shall be in writing
 34 and entered upon the minutes of the court to which such emergency judge is assigned.

35 (a1) An emergency judge ~~of the superior court~~ may be recalled to active service by the
 36 Chief Justice and assigned to hear and decide complex business cases if, at the time of the
 37 judge's retirement, all of the following conditions are met:

- 38 (1) The judge is a special superior court judge who is retiring from a term to
 39 which the judge was appointed pursuant to G.S. 7A-45.1.
- 40 (2) The judge is retiring from a term for which the judge was assigned by the
 41 Chief Justice to hear and decide complex business cases as a business court
 42 judge pursuant to G.S. 7A-45.3.
- 43 (3) The judge's nomination to serve a successive term in the same office is
 44 pending before the General Assembly, or was not acted upon by the General
 45 Assembly prior to adjournment sine die.
- 46 (4) If confirmed and appointed to the successive term of office for which
 47 nominated, the judge would reach mandatory retirement age before
 48 completing that term of office.

49 An emergency judge assigned to hear and decide complex business cases pursuant to this
 50 subsection shall be designated by the Chief Justice as a senior business court judge and shall be
 51 eligible to serve in that capacity for five years from the issuance date of the judge's commission

1 under G.S. 7A-53 or until the judge's commission expires, whichever occurs first. Order of
2 assignment shall be in writing and entered upon the minutes of the court to which such
3 emergency judge is assigned.

4 (b) In addition to the compensation or retirement allowance the judge would otherwise
5 be entitled to receive by law, each emergency judge ~~of the district or superior court~~ who is
6 assigned to temporary active service by the Chief Justice shall be paid by the State the judge's
7 actual expenses, plus four hundred dollars (\$400.00) for each day of active service rendered
8 upon recall, and each emergency judge designated as a senior business court judge pursuant to
9 subsection (a1) of this section shall be paid by the State the judge's actual expenses, plus five
10 hundred dollars (\$500.00) for each day of active service rendered upon recall as a senior
11 business court judge. No day of active service rendered by an emergency judge pursuant to
12 assignment under subsection (a) of this section shall overlap with a day of active service
13 rendered pursuant to assignment under subsection (a1) of this section. No recalled retired trial
14 judge shall receive from the State total annual compensation for judicial services in excess of
15 that received by an active judge of the bench to which the judge is recalled."

16 **SECTION 18B.7.(e)** G.S. 7A-53 reads as rewritten:

17 "**§ 7A-53. Application to the Governor; commission as emergency judge.**

18 No retired ~~judge of the district or the superior court~~ special superior court judge authorized
19 by G.S. 7A-45.1 to hear and decide complex business cases may become an emergency judge
20 except upon his written application to the Governor certifying his desire and ability to serve as
21 an emergency judge. If the Governor is satisfied that the applicant qualifies under
22 G.S. 7A-52(a) to become an emergency judge and that he is physically and mentally able to
23 perform the official duties of an emergency judge, he shall issue to such applicant a
24 commission as an emergency ~~judge of the court from which he retired.~~ special superior court
25 judge. The commission shall be effective upon the date of its issue and shall terminate when the
26 judge to whom it is issued reaches the maximum age for judicial service under
27 G.S. 7A-4.20(a)."

28 **SECTION 18B.7.(f)** G.S. 7A-374.2 reads as rewritten:

29 "**§ 7A-374.2. Definitions.**

30 Unless the context clearly requires otherwise, the definitions in this section shall apply
31 throughout this Article:

32 ...

33 (5) "Judge" means any justice or judge of the General Court of Justice of North
34 Carolina, including any retired ~~justice or special superior court~~ judge who is
35 recalled for service as an emergency judge ~~of any division of the General~~
36 ~~Court of Justice pursuant to G.S. 7A-53.~~

37"

38 **SECTION 18B.7.(g)** G.S. 7A-376(c) reads as rewritten:

39 "(c) Upon recommendation of the Commission, the Supreme Court may suspend, for a
40 period of time the Supreme Court deems necessary, any judge for temporary physical or mental
41 incapacity interfering with the performance of the judge's duties, and may remove any judge for
42 physical or mental incapacity interfering with the performance of the judge's duties which is, or
43 is likely to become, permanent. A judge who is suspended for temporary incapacity shall
44 continue to receive compensation during the period of the suspension. A judge removed for
45 mental or physical incapacity is entitled to retirement compensation if the judge has
46 accumulated the years of creditable service required for incapacity or disability retirement
47 under any provision of State law, but he shall not sit as an emergency ~~justice or special superior~~
48 court judge."

49 **SECTION 18B.7.(h)** G.S. 90-21.62(b) is repealed.

50 **SECTION 18B.7.(i)** G.S. 115C-431 reads as rewritten:

1 **"§ 115C-431. Procedure for resolution of dispute between board of education and board**
 2 **of county commissioners.**

3 ...
 4 (c) Within five days after an announcement of no agreement by the mediator, the local
 5 board of education may file an action in the superior court division of the General Court of
 6 Justice. Either board has the right to have the issues of fact tried by a jury. When a jury trial is
 7 demanded, the cause shall be set for the first succeeding term of the superior court in the
 8 county, and shall take precedence over all other business of the court. However, if the judge
 9 presiding certifies to the Chief Justice of the Supreme Court, either before or during the term,
 10 that because of the accumulation of other business, the public interest will be best served by not
 11 trying the cause at the term next succeeding the filing of the action, the Chief Justice shall
 12 immediately call a special term of the superior court for the county, to convene as soon as
 13 possible, and assign a judge of the superior court ~~or an emergency judge~~ to hold the court, and
 14 the cause shall be tried at this special term. The judge shall find, or if the issue is submitted to
 15 the jury, the jury shall find the facts as to the following in order to maintain a system of free
 16 public schools as defined by State law and State Board of Education policy: (i) the amount of
 17 money legally necessary from all sources and (ii) the amount of money legally necessary from
 18 the board of county commissioners. In making the finding, the judge or the jury shall consider
 19 the educational goals and policies of the State and the local board of education, the budgetary
 20 request of the local board of education, the financial resources of the county and the local board
 21 of education, and the fiscal policies of the board of county commissioners and the local board
 22 of education.

23 All findings of fact in the superior court, whether found by the judge or a jury, shall be
 24 conclusive. When the facts have been found, the court shall give judgment ordering the board
 25 of county commissioners to appropriate a sum certain to the local school administrative unit,
 26 and to levy such taxes on property as may be necessary to make up this sum when added to
 27 other revenues available for the purpose.

28"

29 **SECTION 18B.7.(j)** G.S. 135-71(c) reads as rewritten:

30 "(c) Notwithstanding any other provision in this Chapter, the retirement allowance of a
 31 justice or judge shall not be affected by the compensation received as an emergency justice ~~or~~
 32 judge or as a senior business court judge."

33 **SECTION 18B.7.(k)** Prior to February 1, 2018, the Administrative Office of the
 34 Courts shall report in writing to the chairs of the Joint Legislative Oversight Committee on
 35 Justice and Public Safety on any need for additional elected district court judge positions or
 36 superior court judge positions created by the elimination of emergency judges pursuant to this
 37 section.

38 **SECTION 18B.7.(l)** This section is effective when it becomes law.

39
 40 **SUPREME COURT BICENTENNIAL CELEBRATION**

41 **SECTION 18B.8.** Notwithstanding G.S. 7A-10(a), in honor of the court's
 42 bicentennial celebration, the court may, by rule, hold sessions in any location across the State.
 43 This section only applies to the calendar years 2018 through 2020.

44
 45 **ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS**

46 **SECTION 18B.9.(a)** G.S. 7A-60 reads as rewritten:

47 **"§ 7A-60. ~~District attorneys and prosecutorial districts.~~ Prosecutorial districts.**

48 ...
 49 (a1) The counties of the State are organized into prosecutorial districts, and each district
 50 has the counties ~~and the number of full time assistant district attorneys~~ set forth in the
 51 following table:

	Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1			
2			
3			
4	1	Camden, Chowan, Currituck,	11
5		Dare, Gates, Pasquotank,	
6		Perquimans	
7	2	Beaufort, Hyde, Martin,	8
8		Tyrrell, Washington	
9	3A	Pitt	11
10	3B	Carteret, Craven, Pamlico	12
11	4	Duplin, Jones, Onslow,	18
12		Sampson	
13	5	New Hanover, Pender	18
14	6	Bertie, Halifax, Hertford,	10
15		Northampton	
16	7	Edgecombe, Nash, Wilson	18
17	8	Greene, Lenoir, Wayne	14
18	9	Franklin, Granville,	10
19		Vance, Warren	
20	9A	Person, Caswell	6
21	10	Wake	41
22	11A	Harnett, Lee	9
23	11B	Johnston	10
24	12	Cumberland	23
25	13	Bladen, Brunswick, Columbus	13
26	14	Durham	18
27	15A	Alamance	11
28	15B	Orange, Chatham	10
29	16A	Scotland, Hoke	7
30	16B	Robeson	12
31	16C	Anson, Richmond	6
32	17A	Rockingham	7
33	17B	Stokes, Surry	8
34	18	Guilford	32
35	19A	Cabarrus	9
36	19B	Montgomery, Randolph	9
37	19C	Rowan	8
38	19D	Moore	5
39	20A		5
40		Stanly	
41	20B	Union	10
42	21	Forsyth	25
43	22A	Alexander, Iredell	11
44	22B	Davidson, Davie	11
45	23	Alleghany, Ashe, Wilkes,	8
46		Yadkin	
47	24	Avery, Madison, Mitchell,	7
48		Watauga, Yancey	
49	25	Burke, Caldwell, Catawba	18
50	26	Mecklenburg	58
51	27A	Gaston	14

1	27B	Cleveland,	11
2		Lincoln	
3	28	Buncombe	14
4	29A	McDowell, Rutherford	7
5	29B	Henderson, Polk, Transylvania	8
6	30	Cherokee, Clay, Graham,	10
7		Haywood, Jackson, Macon,	
8		Swain.	

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even numbered year, the~~ The Administrative Office of the Courts shall report by March 15 of each year on its recommendations regarding the allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts recommends to be has allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each recommended allocation is based. Any reports required under this subsection shall be made to the Joint Legislative Commission of Governmental Operations, the House of Representatives and Senate Appropriations Subcommittees Committees on Justice and Public, Public Safety and the Fiscal Research Division.

...."

SECTION 18B.9.(b) G.S. 7A-63 reads as rewritten:

"§ 7A-63. Assistant district attorneys.

Each district attorney shall be entitled to the number of full-time assistant district attorneys set out in this Subchapter, such number to be developed by the General Assembly allocated to that prosecutorial district by the Administrative Office of the Courts after consulting the workload formula established through the National Center for State Courts, to be appointed by the district attorney, to serve at the district attorney's pleasure. A vacancy in the office of assistant district attorney shall be filled in the same manner as the initial appointment. An assistant district attorney shall take the same oath of office as the district attorney, and shall perform such duties as may be assigned by the district attorney. The district attorney shall devote full time to the duties of the office and shall not engage in the private practice of law during his or her term."

SECTION 18B.9.(c) The Administrative Office of the Courts, in conjunction with the National Center for State Courts and the Conference of District Attorneys, shall revisit the workload formula used to determine the allocation of assistant district attorneys under G.S. 7A-60 and determine whether any adjustments should be made to the formula. The Administrative Office of the Courts shall report by May 1, 2018, to the chairs of the Joint Legislative Committee on Justice and Public Safety and the chairs of House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the conclusions reached about the workload formula and any recommendations for adjustments.

SECTION 18B.9.(d) This section is effective when it becomes law.

PART XIX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

MILITARY AFFAIRS COMMISSION/MILITARY PRESENCE STABILIZATION FUND

SECTION 19.1.(a) Section 24.1(a) of S.L. 2015-241 reads as rewritten:

"**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

1 following agencies are transferred to, vested in, and consolidated within the Department of
2 Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:

- 3 (1) The following components of the Department of Administration:
 - 4 a. The Veterans' Affairs Commission.
 - 5 b. The Governor's Jobs for Veterans Committee.
 - 6 c. The Division of Veterans Affairs.
- 7 (2) ~~The North Carolina Military Affairs Commission in the Office of the~~
8 ~~Governor."~~

9 **SECTION 19.1.(b)** G.S. 143B-1310 reads as rewritten:

10 **"§ 143B-1310. Commission established; purpose; transaction of business.**

11 (a) Establishment. – There is established the North Carolina Military Affairs
12 Commission. The Commission shall be ~~established within~~ assigned to the Department of
13 Military and Veterans ~~Affairs.~~ Affairs solely for purposes of G.S. 143B-14(a). As authorized by
14 G.S. 143B-14(b), the Commission shall exercise all its powers, duties, and functions
15 independently. Notwithstanding G.S. 143B-14(d), the Secretary of Military and Veterans
16 Affairs shall not perform any of the Commission's management functions. Consistent with
17 G.S. 143B-14(a), the Department of Military and Veterans Affairs shall provide the following
18 administrative services to the Commission:

- 19 (1) Noticing and providing space for meetings of the Commission and its
20 committees.
- 21 (2) Taking minutes of the Commission's meetings.
- 22 (3) Reimbursing per diem, subsistence, and travel expenses pursuant to
23 G.S. 143B-1311(h).
- 24 (4) Serving as a liaison among the committees of the Commission.
- 25 (5) Any other administrative services requested by the Commission.

26 (b) Purpose. – The Commission shall provide advice, counsel, and recommendations to
27 the General Assembly, the Secretary of Military and Veterans Affairs, and other State agencies
28 on initiatives, programs, and legislation that will continue and increase the role that North
29 Carolina's military installations, the National Guard, and Reserves play in America's defense
30 strategy and the economic health and vitality of the State. The Commission is authorized to do
31 all of the following, ~~as delegated by the Secretary of Military and Veterans Affairs:~~ following:

32 "...."

33 **SECTION 19.1.(c)** G.S. 143B-1211 reads as rewritten:

34 **"§ 143B-1211. Powers and duties of the Department of Military and Veterans Affairs.**

35 It shall be the duty of the Department of Military and Veterans Affairs to do all of the
36 following:

37 ...

- 38 (12) Provide administrative, organizational, and funding support to ~~the NC~~
39 ~~Military Affairs Commission and the~~ Governor's Working Group for
40 Veterans.
- 41 (12a) Provide administrative services to the North Carolina Military Affairs
42 Commission pursuant to G.S. 143B-1310(a).

43 "...."

44 **SECTION 19.1.(d)** G.S. 143B-1217 reads as rewritten:

45 **"§ 143B-1217. Military Presence Stabilization Fund.**

46 The Military Presence Stabilization Fund is established as a special fund in the Department
47 of Military and Veterans Affairs. Funds in the Military Presence Stabilization Fund shall be
48 used to fund actions designed to make the State less vulnerable to closure pursuant to federal
49 Base Realignment and Closure and related initiatives. ~~The Secretary of Military and Veterans~~
50 ~~Affairs may allocate funds in~~ North Carolina Military Affairs Commission shall approve the
51 use of the Fund for this purpose."

1 **SECTION 19.1.(e)** Notwithstanding G.S. 143B-1214 and G.S. 143B-1217, the
2 funds appropriated in this act to the Military Presence Stabilization Fund for the 2017-2018
3 fiscal year may be used for the following purposes:

- 4 (1) Up to the sum of two hundred fifty thousand dollars (\$250,000) may be used
5 to provide grants to local communities or military installations. These funds
6 shall only be used for actual project expenses and shall not be used to pay
7 for lobbying the North Carolina General Assembly, salaries, travel, or other
8 administrative costs. The North Carolina Military Affairs Commission shall
9 establish the guidelines for applying for these grants.
- 10 (2) Administrative expenses and reimbursements for members of the North
11 Carolina Military Affairs Commission.
- 12 (3) Federal advocacy and lobbying support.
- 13 (4) Updates to strategic planning analysis and strategic plan.
- 14 (5) Economic impact analyses.
- 15 (6) Public-public/public-private (P4) initiatives.
- 16 (7) Identification and implementation of innovated measures to increase the
17 military value of installations.

18 **SECTION 19.1.(f)** The North Carolina Military Affairs Commission shall report to
19 the Joint Legislative Oversight Committee on General Government no later than February 15,
20 2018, on the expenditures from the Military Presence Stabilization Fund.

21 **PART XX. OFFICE OF ADMINISTRATIVE HEARINGS**

22 **OAH/LAWSUIT FUNDS**

23 **SECTION 20.1.** The Department of Public Instruction shall transfer the sum of
24 fifty thousand dollars (\$50,000) to the Office of Administrative Hearings to be allocated to the
25 Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred
26 in the defense of *North Carolina State Board of Education v. The State of North Carolina and*
27 *The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed
28 November 7, 2014). These funds shall not revert at the end of the 2017-2018 fiscal year but
29 shall remain available during the 2018-2019 fiscal year for expenditure in accordance with the
30 provisions of this section.
31
32

33 **PART XXI. TREASURER [RESERVED]**

34 **PART XXII. DEPARTMENT OF INSURANCE**

35 **INSURANCE REGULATORY CHARGE**

36 **SECTION 22.1.** The percentage rate to be used in calculating the insurance
37 regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2018 calendar
38 year.
39

40 **PART XXIII. STATE BOARD OF ELECTIONS [RESERVED]**

41 **PART XXIV. GENERAL ASSEMBLY**

42 **PED STUDY/MEASURABILITY ASSESSMENT OF DEPARTMENT OF** 43 **ADMINISTRATION ADMINISTRATIVE ACTIVITIES AND PROGRAMS**

44 **SECTION 24.1.** The Program Evaluation Division (hereinafter "Division") is
45 directed to conduct measurability assessments, as provided in Chapter 143E of the General
46 Statutes, and efficiency evaluations of programs and administrative activities of the Department
47
48
49
50
51

1 of Administration (hereinafter "Department") to improve Department accountability reporting
2 and to recommend potential cost-savings. Prior to conducting measurability assessments and
3 efficiency evaluations, the Division shall consult with the State Auditor, who shall recommend
4 potential programs or potentially high-cost Department activities that, with changes, may
5 produce cost-savings. Taking into account the recommendations of the State Auditor and the
6 results of the measurability assessments, the Division may select a contractor through a
7 noncompetitive bid process to assist the Division in identifying potential cost-savings. The
8 State Auditor shall review draft findings and recommendations and shall provide a written
9 response to be included in the Division's report. By March 30, 2018, the Division shall report
10 its findings and recommendations to the Joint Legislative Program Evaluation Oversight
11 Committee, Joint Legislative Education Oversight Committee, and Joint Legislative Oversight
12 Committee on General Government and, upon request, to other committees.

13 14 **PROTECTION OF MILITARY OPERATIONS**

15 **SECTION 24.2.(a)** Definitions. – The definitions set forth in Article 21C of
16 Chapter 143 of the General Statutes apply throughout this section.

17 **SECTION 24.2.(b)** Moratorium Established. – There is hereby established a
18 moratorium on consideration of applications for a permit and on the issuance of permits for
19 wind energy facilities and wind energy facility expansions in this State. The purpose of this
20 moratorium is to allow the General Assembly ample time to study the extent and scope of
21 military operations in the State as directed in subsection (d) of this section and to consider the
22 impact of future wind energy facilities and energy infrastructure on military operations,
23 training, and readiness. Neither the Department of Environmental Quality nor the Coastal
24 Resources Commission shall consider a permit application nor issue a permit for a wind energy
25 facility or wind energy facility expansion for the period beginning January 1, 2017, and ending
26 December 31, 2020.

27 **SECTION 24.2.(c)** Exception. – The moratorium established by subsection (b) of
28 this section shall not prohibit the consideration of an application or the issuance of a permit for
29 a wind energy facility or wind energy facility expansion for either of the following:

- 30 (1) Those facilities or facility expansions that received a written "Determination
31 of No Hazard to Air Navigation" issued by the Federal Aviation
32 Administration on or before May 17, 2013.
- 33 (2) If the applicant can show that a completed application, prepared in
34 accordance with the requirements set out in G.S. 143-215.119(a), was
35 submitted to the Department or the Commission on or before January 1,
36 2017.

37 **SECTION 24.2.(d)** Study. – The General Assembly shall study the extent and
38 scope of military operations in the State in order to create a suite of maps and other relevant
39 data and documentation that shall be employed to communicate the temporal and spatial use of
40 land-, air-, and water-based military operations. Upon completion, the suite of maps and other
41 relevant data and documentation may be utilized to identify areas of the State, both onshore and
42 offshore, where energy infrastructure and development pose a threat to, encroach upon, or
43 otherwise reduce operations, training capabilities, or readiness. The Legislative Services
44 Officer shall issue a request for proposals for (i) the collection of geospatial and other relevant
45 data for land-, air-, and water-based military operations in the State and (ii) the creation of a
46 suite of maps and other relevant data and documentation that can be used to communicate the
47 temporal and spatial use of land-, air-, and water-based military operations in the State. In the
48 conduct of the study, the selected contractor shall consult with the base commander, or the base
49 commander's designee, of each major military installation in the State, United States
50 Department of Defense officials, retired military personnel with relevant and applicable
51 knowledge of training and operations in this State, the Military Affairs Commission, and any

1 other person, agency, or organization that may able to define the footprint of military
2 operations in this State and identify, communicate, and relate the data necessary to prepare a
3 comprehensive suite of maps and other relevant data and documentation that illustrate temporal
4 and spatial use of land-, air-, and water-based military operations in the State.

5 **SECTION 24.2.(e)** Time Line. – The study directed by subsection (d) of this
6 section shall adhere to the following time line:

- 7 (1) The request for proposals (RFP) shall be issued on or before December 31,
8 2017.
- 9 (2) A contract to award the RFP shall be executed on or before June 30, 2018.
- 10 (3) The study, including the preparation of the suite of maps and other relevant
11 data and documentation that illustrate temporal and spatial use of land-, air-,
12 and water-based military operations in the State, findings, and
13 recommendations, if any, shall be completed and submitted to the
14 Legislative Services Officer on or before June 30, 2019, in order to inform
15 the development of policies pertaining to the protection and preservation of
16 major military installations during the 2019-2020 General Assembly.

17
18 **PART XXV. OFFICE OF THE GOVERNOR [RESERVED]**

19
20 **PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT**

21
22 **MODIFICATIONS TO PREVIOUS OSBM SPECIAL APPROPRIATIONS**

23 **SECTION 26.1.(a)** Notwithstanding any provision of S.L. 2016-94, or of the
24 Committee Report described in Section 39.2 of that act, to the contrary:

- 25 (1) The sum of one hundred thousand dollars (\$100,000) in nonrecurring funds
26 for the 2016-2107 fiscal year appropriated in that act as a grant-in-aid to the
27 Macon County Community Funding Pool shall instead be appropriated to
28 Macon County to be used for community purposes. G.S. 143C-1-2(b) and
29 G.S. 143C-6-23(f1)(1) shall not apply to the funds described in this
30 subdivision.
- 31 (2) The sum of fifty thousand dollars (\$50,000) in nonrecurring funds for the
32 2016-2017 fiscal year appropriated in that act as a grant-in-aid to Watauga
33 County for tourism and development for New River access points shall
34 instead be used for the Guy Ford Road canoe access on the Watauga River.
35 G.S. 143C-1-2(b) and G.S. 143C-6-23(f1)(1) shall not apply to the funds
36 described in this subdivision.
- 37 (3) The sum of five million dollars (\$5,000,000) in nonrecurring funds for the
38 2016-2017 fiscal year appropriated in that act to Onslow County to retrofit
39 and purchase equipment for a regional career and technical education center
40 may be used to fund the construction of a new education center.
41 G.S. 143C-1-2(b) and G.S. 143C-6-23(f1)(1) shall not apply to the funds
42 described in this subdivision.
- 43 (4) The sum of three hundred thousand dollars (\$300,000) in nonrecurring funds
44 appropriated in that act to the Andrew Jackson Historical Foundation, Inc.,
45 to renovate the Museum of the Waxhaws is not subject to G.S. 143C-1-2(b)
46 and G.S. 143C-6-23(f1)(1).
- 47 (5) The sum of fifty thousand dollars (\$50,000) in nonrecurring funds
48 appropriated in that act as a grant-in-aid to the Randolph-Asheboro YMCA
49 is not subject to G.S. 143C-1-2(b) and G.S. 143C-6-23(f1)(1).

50 **SECTION 26.1.(b)** This section becomes effective June 30, 2017.
51

PART XXVII. STATE AUDITOR [RESERVED]**PART XXVIII. HOUSING FINANCE AGENCY****HFA/WORKFORCE HOUSING LOAN PROGRAM ESTABLISHED**

SECTION 28.1. Chapter 122A of the General Statutes is amended by adding a new section to read as follows:

"§ 122A-5.15. Workforce Housing Loan Program.

(a) The North Carolina Housing Finance Agency shall establish and administer the Workforce Housing Loan Program for the purpose of making loans for qualified low-income housing development in the State. Funds appropriated to the North Carolina Housing Trust Fund for the Workforce Housing Loan Program shall be used by the Agency only as provided in this section.

(b) The following definitions apply in this section:

(1) Code. – As defined in G.S. 105-228.90.

(2) Qualified North Carolina low-income housing development. – A qualified low-income project or building that is allocated a federal tax credit under section 42(h)(1) of the Code.

(3) Qualified residential unit. – A housing unit that meets the requirements of section 42 of the Code.

(c) A taxpayer allocated a federal low-income housing tax credit under section 42 of the Code to construct or substantially rehabilitate a qualified North Carolina low-income housing development is eligible for a loan under the Workforce Housing Loan Program if the taxpayer satisfies the loan criteria established by the Agency. The loan criteria shall support the financing of similar types of developments as provided in G.S. 105-129.42 and shall be developed in partnership with developers of low-income housing in the State who receive a federal low-income housing tax credit under section 42 of the Code. The Agency shall take into consideration all eligible sources of funding for each development project, including whether there are other eligible sources of funding available for the development project. Loans may be made for multiple development projects in a county, but the total loan amount shall not exceed five hundred thousand dollars (\$500,000) per county in each fiscal year.

(d) By February 1 of each year, the Agency shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the number of loans made under this section, the amount of each loan, and whether the low-income housing development is located in a low-, moderate-, or high-income county, as designated by the Agency."

PART XXIX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]**PART XXX. OFFICE OF LT. GOVERNOR [RESERVED]****PART XXXI. DEPARTMENT OF ADMINISTRATION****TRANSFER THE HUMAN RELATIONS COMMISSION**

SECTION 31.1.(a) The North Carolina Human Relations Commission is hereby transferred from the Department of Administration to the Civil Rights Division of the Office of Administrative Hearings. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 31.1.(b) The Office of State Budget and Management, the Office of Administrative Hearings, and the Department of Administration shall work together to identify

1 unexpended and unencumbered funds from the 2016-2017 fiscal year to pay for one-time
2 start-up costs, including office space retrofitting, directly associated with the transfer.

3 **SECTION 31.1.(c)** Article 60 of Chapter 7A of the General Statutes is amended by
4 adding a new section, G.S. 7A-761, entitled "North Carolina Human Relations Commission,"
5 and (i) G.S. 143B-391 is recodified as subsection (a) of G.S. 7A-761, and (ii) subsections (a)
6 through (d) of G.S. 143B-392 are recodified as subsections (b) through (e) of G.S. 7A-761.

7 **SECTION 31.1.(d)** G.S. 7A-761, as enacted by subsection (c) of this section, reads
8 as rewritten:

9 **"§ 7A-761. North Carolina Human Relations Commission.**

10 (a) There is hereby created the North Carolina Human Relations Commission of the
11 ~~Department of Administration~~Civil Rights Division of the Office of Administrative Hearings.
12 The North Carolina Human Relations Commission shall have the following functions and
13 duties:

- 14 (1) To study problems concerning human relations;
- 15 (2) To promote equality of opportunity for all citizens;
- 16 (3) To promote understanding, respect, and goodwill among all citizens;
- 17 (4) To provide channels of communication among the races;
- 18 (5) To encourage the employment of qualified people without regard to race;
- 19 (6) To encourage youths to become better trained and qualified for employment;
- 20 (7) To receive on behalf of the ~~Department of Administration~~Civil Rights
21 Division of the Office of Administrative Hearings and to recommend
22 expenditure of gifts and grants from public and private donors;
- 23 (8) To enlist the cooperation and assistance of all State and local government
24 officials in the attainment of the objectives of the Commission;
- 25 (9) To assist local good neighborhood councils and biracial human relations
26 committees in promoting activities related to the functions of the
27 Commission enumerated above;
- 28 (10) To advise the ~~Secretary of Administration~~Chief Administrative Law Judge
29 upon any matter the ~~Secretary~~Chief Administrative Law Judge may refer to
30 it;
- 31 (11) To administer the provisions of the State Fair Housing Act as outlined in
32 Chapter 41A of the General Statutes;
- 33 (12) To administer the provisions of Chapter 99D of the General Statutes.

34 (b) The Human Relations Commission of the ~~Department of Administration~~Civil Rights
35 Division of the Office of Administrative Hearings shall consist of 22 members. The Governor
36 shall appoint one member from each of the 13 congressional districts, plus five members at
37 large, including the chairperson. The Speaker of the North Carolina House of Representatives
38 shall appoint two members to the Commission. The President Pro Tempore of the Senate shall
39 appoint two members to the Commission. The terms of four of the members appointed by the
40 Governor shall expire June 30, 1988. The terms of four of the members appointed by the
41 Governor shall expire June 30, 1987. The terms of four of the members appointed by the
42 Governor shall expire June 30, 1986. The terms of four of the members appointed by the
43 Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of
44 the North Carolina House of Representatives shall expire June 30, 1986. The terms of the
45 members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of
46 office of the person appointed to represent the 12th Congressional District shall commence on
47 January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the
48 initial members of the Commission, the appointment of their successors shall be for terms of
49 four years. No member of the commission shall serve more than two consecutive terms. A
50 member having served two consecutive terms shall be eligible for reappointment one year after
51 the expiration of his second term. Any appointment to fill a vacancy on the Commission

1 created by the resignation, dismissal, death, or disability of a member shall be filled in the
2 manner of the original appointment for the unexpired term.

3 (c) Members of the Commission shall receive per diem and necessary travel and
4 subsistence expenses in accordance with the provisions of G.S. 138-5.

5 (d) A majority of the Commission shall constitute a quorum for the transaction of
6 business.

7 (e) All clerical and support services required by the Commission shall be supplied by
8 the ~~Secretary of the Department of Administration~~ Office of Administrative Hearings."

9 **SECTION 31.1.(e)** G.S. 143-422.3 reads as rewritten:

10 **"§ 143-422.3. Investigations; conciliations.**

11 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights
12 Division of the Office of Administrative Hearings shall have the authority to receive charges of
13 discrimination from the Equal Employment Opportunity Commission pursuant to an agreement
14 under Section 709(b) of Public Law 88-352, as amended by Public Law 92-261, and investigate
15 and conciliate charges of discrimination. Throughout this process, the agency shall use its good
16 offices to effect an amicable resolution of the charges of discrimination."

17 **SECTION 31.1.(f)** G.S. 143-422.13 reads as rewritten:

18 **"§ 143-422.13. Investigations; conciliations.**

19 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights
20 Division of the Office of Administrative Hearings shall have the authority to receive,
21 investigate, and conciliate complaints of discrimination in public accommodations. Throughout
22 this process, the Human Relations Commission shall use its good offices to effect an amicable
23 resolution of the complaints of discrimination. This Article does not create, and shall not be
24 construed to create or support, a statutory or common law private right of action, and no person
25 may bring any civil action based upon the public policy expressed herein."
26

27 **COUNCIL FOR WOMEN/DOMESTIC VIOLENCE GRANTS**

28 **SECTION 31.2.** G.S. 50B-9 reads as rewritten:

29 **"§ 50B-9. Domestic Violence Center Fund.**

30 (a) The Domestic Violence Center Fund is established within the State Treasury. The
31 fund shall be administered by the Department of Administration, North Carolina Council for
32 Women, and shall be used to make grants to centers for victims of domestic violence and to
33 The North Carolina Coalition Against Domestic Violence, Inc. This fund shall be administered
34 in accordance with the provisions of the Executive Budget Act. The Department of
35 Administration shall make quarterly grants to each eligible domestic violence center and to The
36 North Carolina Coalition Against Domestic Violence, Inc. Effective July 1, 2017, and each
37 fiscal year thereafter, the Department of Administration shall disburse the first quarterly grants
38 from the fund within 15 days of the date the Current Operations Appropriations Act, as defined
39 in G.S. 143C-1-1, is certified for that fiscal year.

40 (b) Each grant recipient shall receive the same amount. To be eligible to receive funds
41 under this section, a domestic violence center must meet the following requirements:

42 (1) It shall have been in operation on the preceding July 1 and shall continue to
43 be in operation.

44 (2) It shall offer all of the following services: a hotline, transportation services,
45 community education programs, daytime services, and call forwarding
46 during the night and it shall fulfill other criteria established by the
47 Department of Administration.

48 (3) It shall be a nonprofit corporation or a local governmental entity."
49

50 **DOA/COST TO AGENCIES TO MAINTAIN AND OPERATE MOTOR FLEET**

1 **SECTION 31.3.(a)** On January 1, 2018, the Department of Administration
 2 (hereinafter "Department") shall increase the amount allocated and charged to State agencies to
 3 which transportation is furnished as authorized by G.S. 143-341(8)i.6. For calendar year 2018,
 4 the Department shall, from funds available to it, subsidize the amount of the increase allocated
 5 and charged to State agencies. Beginning January 1, 2019, State agencies shall, from the funds
 6 available to them, pay the full amount allocated and charged for transportation furnished by the
 7 Department and the Department shall not subsidize any part of the amount allocated and
 8 charged. On June 30, 2018, the Department shall transfer to the motor fleet fund any
 9 unexpended and unencumbered funds from the General Fund to help offset deficiencies in the
 10 motor fleet fund that resulted from subsidizing the increase to State agencies.

11 **SECTION 31.3.(b)** The Department and Motor Fleet Management Division shall
 12 consult with each State agency to which transportation is provided to determine the types and
 13 sizes of vehicles needed by the agency and shall aid the agency in making adjustments to the
 14 size of its fleet to achieve maximum cost efficiency.

15 **SECTION 31.3.(c)** The Department shall determine the amount required by each
 16 agency to cover the cost of the increase in the amount allocated and charged for transportation
 17 for fiscal biennium 2019-2021. Notwithstanding the provisions of Chapter 143C (State Budget
 18 Act) of the General Statutes, the Office of State Budget and Management shall include the
 19 increase in the amount allocated and charged for transportation in the base budget for each
 20 State agency for fiscal biennium 2019-2021.

21 **SECTION 31.3.(d)** G.S. 143-341 reads as rewritten:

22 **"§ 143-341. Powers and duties of Department.**

23 The Department of Administration has the following powers and duties:

24 ...

25 (8) General Services:

26 ...

27 i. To establish and operate a central motor fleet and such subsidiary
 28 related facilities as the Secretary may deem necessary, and to that
 29 end:

30 ...

31 6. To allocate and charge against each State agency to which
 32 transportation is furnished, ~~on a basis of mileage or of~~
 33 ~~rental,~~ furnished its proportionate part of the cost of
 34 maintenance and operation of the motor fleet.

35 The amount allocated and charged by the Department of
 36 Administration to State agencies to which transportation is
 37 furnished shall ~~be at least as follows:~~ take into account all of
 38 the following: (i) vehicle replacement cost, (ii) maintenance
 39 cost, (iii) insurance, (iv) use of telematics devices, and (v) the
 40 Department's administration cost.

41 I. ~~Pursuit vehicles and full size four wheel drive~~
 42 ~~vehicles \$.24/mile.~~

43 II. ~~Vans and compact four wheel drive vehicles —~~
 44 ~~\$.22/mile.~~

45 III. ~~All other vehicles — \$.20/mile.~~

46 "

47 **SECTION 31.3.(e)** Subsection (d) of this act becomes effective January 1, 2018.
 48 The remainder of this section is effective when this act becomes law.

49
 50 **PART XXXII. DEPARTMENT OF REVENUE [RESERVED]**
 51

PART XXXIII. OFFICE OF STATE CONTROLLER**OVERPAYMENTS AUDIT**

SECTION 33.1.(a) During the 2017-2019 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 33.1.(b) Of the funds appropriated in this act from the Special Reserve Account 24172, and for each year of the 2017-2019 fiscal biennium, five hundred thousand dollars (\$500,000) of the funds shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 33.1.(c) All funds available in Special Reserve Account 24172 on June 30 of each year of the 2017-2019 fiscal biennium shall revert to the General Fund on that date.

SECTION 33.1.(d) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited in Special Reserve Account 24172 and the disbursement of that revenue.

PART XXXIV. DEPARTMENT OF TRANSPORTATION**CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS**

SECTION 34.1.(a) Subsections (b) and (c) of Section 35.2 of S.L. 2016-94 are repealed.

SECTION 34.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2019-2020	\$ 2,277.7 million
For Fiscal Year 2020-2021	\$ 2,374.9 million
For Fiscal Year 2021-2022	\$ 2,403.4 million
For Fiscal Year 2022-2023	\$ 2,427.3 million

SECTION 34.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2019-2020	\$ 1,619.9 million
For Fiscal Year 2020-2021	\$ 1,654.6 million
For Fiscal Year 2021-2022	\$ 1,675.6 million
For Fiscal Year 2022-2023	\$ 1,701.8 million

SECTION 34.1.(d) 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 revenue forecast shall be the 2023-2024 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.

CONTINGENCY FUNDS

SECTION 34.2.(a) Section 29.2(a)(1) of S.L. 2015-241, as amended by Section 35.19 of S.L. 2016-94, is repealed.

SECTION 34.2.(b) Of the funds appropriated in this act to the Department of Transportation, twelve million dollars (\$12,000,000) for each fiscal year of the 2017-2019 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.

1 Projects funded pursuant to this subsection shall be approved by the Secretary of
2 Transportation.

3 **SECTION 34.2.(c)** The Department of Transportation shall report to the members
4 of the General Assembly on projects funded pursuant to subsection (b) of this section in each
5 member's district prior to construction. The Department shall make a quarterly comprehensive
6 report on the use of these funds to the Joint Legislative Transportation Oversight Committee
7 and the Fiscal Research Division.

9 **REPAIRS AND RENOVATIONS**

10 **SECTION 34.3.** There is appropriated from the Highway Fund to the Department
11 of Transportation for the 2017-2019 fiscal biennium the following amounts for repairs and
12 renovations:

14 Repairs and Renovations – Highway Fund	2017-2018	2018-2019
16 Chilled Water Piping and Insulation Replacement	\$612,700	\$0
18 Statewide: Small Office Renovations/Additions	700,000	700,000
20 Statewide: Roof Repairs and Replacements	1,500,000	1,500,000
22 Statewide: Demolition of Obsolete or Condemned 23 Buildings	500,000	500,000
25 Update Ductwork in Transportation Main Building	300,000	0
27 New Chiller for the Highway Building Complex	0	325,000
29 Statewide: Water and Sewer Upgrades	1,500,000	1,500,000
31 Upfit First Floor of Highway Building and Annex 32 With Generator	0	825,000
34 TOTAL REPAIRS AND RENOVATIONS – 35 HIGHWAY FUND	\$5,112,700	\$5,350,000

37 **DOT/FUNDING FOR ANALYTICS SERVICES**

38 **SECTION 34.4.** In addition to the funding appropriated in this act to continue and
39 enhance the Department of Transportation's contract for transportation analytics services, the
40 Secretary of the Department of Transportation may use up to the sum of two million dollars
41 (\$2,000,000) from funds available for the 2017-2018 fiscal year to cover costs incurred for
42 obtaining additional analytics services to improve the efficiency and operations of the
43 Department.

45 **DOT PROPERTY ACQUISITIONS/APPRaisal WAIVER VALUATION**

46 **SECTION 34.5.(a)** Article 2 of Chapter 136 of the General Statutes is amended by
47 adding a new section to read:

48 **"§ 136-19.6. Appraisal waiver valuation.**

49 (a) Intent. – It is the intent of the General Assembly to provide the Department of
50 Transportation with the resources and flexibility necessary to accelerate the time in which
51 projects are completed, while maintaining fairness to affected property owners and other

1 citizens of this State. It is the belief of the General Assembly that providing the Department
2 with the flexibility allowed under subsection (b) of this section will help toward achieving this
3 intent. Therefore, the Department is encouraged to utilize the flexibility provided in subsection
4 (b) of this section for all acquisitions of land in which the value of the acquisition is estimated
5 at five thousand dollars (\$5,000) or less.

6 (b) Permissive Exception to Appraisal. – When the Department acquires land, and
7 except as otherwise required by federal law, an appraisal is not required if the Department
8 determines that the anticipated value of the proposed acquisition is estimated at forty thousand
9 dollars (\$40,000) or less, based on a review of data available to the Department at the time the
10 Department begins the acquisition process. If the Department determines that an appraisal is
11 unnecessary, the Department may prepare an appraisal waiver valuation instead of an appraisal.
12 The Department may contract with a qualified third party to prepare an appraisal waiver
13 valuation. Any person performing an appraisal waiver valuation must have a sufficient
14 understanding of the local real estate market to be qualified to perform the appraisal waiver
15 valuation.

16 (c) Construction. – Nothing in subsection (b) of this section shall be construed as
17 superseding or altering any provision of federal law requiring the Department to obtain an
18 appraisal of a property the Department is attempting to acquire."

19 **SECTION 34.5.(b)** This section becomes effective July 1, 2017, and applies to
20 acquisitions on or after that date.

21 **ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT**

22 **SECTION 34.6.(a)** Article 14 of Chapter 136 of the General Statutes is amended
23 by adding a new section to read:

24 **"§ 136-186. Use of credit reserve; Advance Right-of-Way Acquisition Account.**

25 **(a) Definitions. – For purposes of this section, the following definitions apply:**

- 26 **(1) Credit reserve in the Highway Trust Fund. – Consists of all of the following:**
27 **a.** The unreserved credit balance in the Highway Trust Fund on the last
28 day of the fiscal year to the extent the balances exceed the amount
29 estimated for that date in the Current Operations Appropriations Act
30 for the following fiscal year.
31 **b.** The unencumbered and unexpended balances on the last day of the
32 fiscal year for the Central and program administration.
33 **c.** The remaining balance for (i) any open project that has been inactive
34 for two or more years after construction of the project has been
35 completed or (ii) any project that is not obligated during the first two
36 fiscal years in which funds are appropriated.
- 37 **(2) Protective purchase. – Occurs when there is an imminent threat of**
38 **development of property located within a planned transportation project area**
39 **established by the Department and the development could affect the**
40 **Department's ability to construct the project by significantly increasing**
41 **future right-of-way costs, relocations, and disruption of persons and**
42 **businesses in the planned transportation project area.**
- 43 **(3) Undue hardship. – Occurs when a planned transportation project area**
44 **established by the Department causes a property owner remaining on a**
45 **property located within the planned transportation project area to experience**
46 **a hardship based on health, safety, or financial reasons beyond what is**
47 **experienced by other property owners within the planned transportation**
48 **project area and the property owner is unable to sell the property at fair**
49 **market value within a time period that is typical for properties not impacted**
50 **by the planned project.**
51

1 **(b) Establishment of Account.** – There is established within the Highway Trust Fund an
2 Advance Right-of-Way Acquisition Account. The Account shall be under the control and
3 direction of the Department of Transportation. The Account shall consist of both of the
4 following:

5 **(1)** The credit reserve in the Highway Trust Fund on the last day of the fiscal
6 year to the extent the balance in the Account does not exceed twenty-five
7 million dollars (\$25,000,000).

8 **(2)** Any State or federal funds appropriated, allocated, or otherwise transferred
9 to the Account.

10 **(c) Uses.** – The funds in the Account shall be used only to advance funds to a project
11 for the acquisition of right-of-way prior to the project being programmed in the State
12 Transportation Improvement Program. Funds advanced pursuant to this subsection may be used
13 for the cost of the right-of-way and any costs incurred in acquiring the right-of-way. Funds
14 advanced pursuant to this subdivision, including any fees or interest, shall be repaid in the first
15 year the project utilizing the acquired right-of-way is programmed for right-of-way in the State
16 Transportation Improvement Program. Funds shall not be advanced to a project pursuant to this
17 subsection unless the project meets all of the following requirements:

18 **(1)** The right-of-way must be identified as a future right-of-way in (i) a corridor
19 protection map adopted pursuant to Article 2E of this Chapter, (ii) the most
20 recently adopted State Transportation Improvement Program, or (iii) both a
21 corridor protection map adopted pursuant to Article 2E of this Chapter and
22 the most recently adopted State Transportation Improvement Program.

23 **(2)** The Department determines it is in the best interest of the public to acquire
24 the right-of-way (i) as a protective purchase or (ii) to remove an undue
25 hardship.

26 **(3)** For Turnpike projects only, a Record of Decision or a Finding of No
27 Significant Impact must have been issued.

28 **(d) Fees and Interest.** – Except for Turnpike projects, the Department shall not charge
29 fees or interest on funds advanced pursuant to subsection (c) of this section. For Turnpike
30 projects, the Department shall condition the advancement of funds pursuant to subsection (c) of
31 this section on the establishment of any security and the payment of any fees and interest rates
32 the Department may deem necessary.

33 **(e) Repayment.** – Funds advanced pursuant to subsection (c) of this section, including
34 any fees or interest, shall be repaid in the first year the project utilizing the acquired
35 right-of-way is programmed for right-of-way in the State Transportation Improvement
36 Program.

37 **(f) Remaining Credit Reserve.** – The Director of the Budget shall allocate any portion
38 of the credit reserve in the Highway Trust Fund not used in accordance with subdivision (1) of
39 subsection (b) of this section to the Strategic Transportation Investments fund in the Highway
40 Trust Fund. The funds shall be used only to accelerate the completion of projects with sections
41 included in the most recently adopted State Transportation Improvement Program. The use of
42 the funds described in this subsection shall be subject to the requirements of Article 14B of this
43 Chapter. To the extent the funds described in this subsection are not already appropriated, they
44 are hereby appropriated to be used for the purpose set forth in this subsection."

45 **SECTION 34.6.(b)** G.S. 136-189.11 reads as rewritten:

46 **"§ 136-189.11. Transportation Investment Strategy Formula.**

47 ...

48 **(b) Funds Excluded From Formula.** – The following funds are not subject to this
49 section:

50 ...

51 **(12)** Funds advanced pursuant to G.S. 136-186.

1 ...
2 (e) Authorized Formula Variance. – The Department may vary from the Formula set
3 forth in this section if it complies with the following:

4 ...
5 (2) Calculation of variance. – Each year the Secretary shall calculate the amount
6 of Regional Impact and Division Need funds allocated in that year to each
7 division and region, the amount of funds obligated, and the amount the
8 obligations exceeded or were below the allocation. In calculating the amount
9 of funds obligated, the Secretary shall include any amount used as
10 repayment for funds advanced pursuant to G.S. 136-186. In the first variance
11 calculation under this subdivision following the end of fiscal year
12 2015-2016, the target amounts obtained according to the Formula set forth in
13 this section shall be adjusted to account for any differences between
14 allocations and obligations reported for the previous year. In the first
15 variance calculation under this subdivision following the end of fiscal year
16 2016-2017, the target amounts obtained according to the Formula set forth in
17 this section shall be adjusted to account for any differences between
18 allocations and obligations reported for the previous two fiscal years. In the
19 first variance calculation under this subdivision following the end of fiscal
20 year 2017-2018, the target amounts obtained according to the Formula set
21 forth in this section shall be adjusted to account for any differences between
22 allocations and obligations reported for the previous three fiscal years. In the
23 first variance calculation under this subdivision following the end of fiscal
24 year 2018-2019, the target amounts obtained according to the Formula set
25 forth in this section shall be adjusted to account for any differences between
26 allocations and obligations reported for the previous four fiscal years. The
27 new target amounts shall be used to fulfill the requirements of subdivision
28 (1) of this subsection for the next update of the Transportation Improvement
29 Program. The adjustment to the target amount shall be allocated by
30 Distribution Region or Division, as applicable.

31 "

32 **USE OF FUNDS IN MOBILITY/MODERNIZATION FUND**

33 **SECTION 34.7.(a)** Spot Mobility Program. – Of the funds appropriated in this act
34 to the Mobility/Modernization Fund in the Highway Fund, twenty-five percent (25%) of the
35 funds shall be used for a Spot Mobility Program that shall be managed by the State Traffic
36 Engineer of the Department of Transportation. The purpose of the Spot Mobility Program is to
37 provide funding for small projects that will reduce traffic congestion and vehicular delay times.
38 The Department shall develop a quantitative, evidence-based formula to use in selecting
39 projects to receive funding from the Spot Mobility Program. At a minimum, the Department
40 shall consider all of the following in developing the formula required by this subsection:

- 41 (1) The travel-time savings resulting from the proposed project.
- 42 (2) Reductions to motor vehicle queues resulting from the proposed project.
- 43 (3) The service life of the proposed project.
- 44 (4) The benefit-cost ratio of the proposed project.

45 **SECTION 34.7.(b)** Economic Development/Small Construction/Industrial Access.
46 – Of the funds appropriated in this act to the Mobility/Modernization Fund in the Highway
47 Fund, fifteen percent (15%) of the funds shall be used for the following purposes:

- 48 (1) To allocate to the Economic Development Fund to be used for prioritized
49 transportation improvements and infrastructure that expedite commercial
50 growth as well as either job creation or job retention.
51

1 (2) For small construction projects recommended by the Chief Engineer in
2 consultation with the Chief Operating Officer and approved by the Secretary
3 of Transportation. Funds used in accordance with this subdivision shall be
4 allocated equally among the 14 Highway Divisions for small construction
5 projects.

6 (3) To use for the development and expansion of access roads to industrial
7 facilities.

8 **SECTION 34.7.(c)** High-Impact and Low-Cost Construction Projects. – Of the
9 funds appropriated in this act to the Mobility/Modernization Fund in the Highway Fund, sixty
10 percent (60%) of the funds shall be used for construction projects that are high impact and low
11 cost. The funds shall be allocated equally among the 14 Highway Divisions. Projects funded
12 under this subsection include intersection improvement projects, minor widening projects, and
13 operational improvement projects. The Department shall develop a quantitative,
14 evidence-based formula to use in selecting projects to receive funding under this subsection. At
15 a minimum, the Department shall consider all of the following in developing the formula
16 required by this subsection:

17 (1) The average daily traffic volume of a roadway and whether the proposed
18 project will generate additional traffic.

19 (2) Any restrictions on a roadway.

20 (3) Any safety issues with a roadway.

21 (4) The condition of the lanes, shoulders, and pavement on a roadway.

22 (5) The site distance and radius of any intersection on a roadway.

23 **SECTION 34.7.(d)** Report. – The Department shall develop a report detailing (i)
24 the formulas developed under subsections (a) and (c) of this section, (ii) the types of projects
25 funded under this section, and (iii) the total amount of funding allocated to each project funded
26 under this section. The Department shall submit the report required under this subsection to the
27 Joint Legislative Transportation Oversight Committee by March 1, 2018.

28 **SECTION 34.7.(e)** Conforming Repeal. – Subsections (b) through (d) of Section
29 34.7 of S.L. 2013-360, as amended by Section 34.29 of S.L. 2014-100, are repealed.

30 31 **RURAL PROJECT DEVELOPMENT**

32 **SECTION 34.8.(a)** Matching Funds for Certain MPOs and RPOs. – Of the funds
33 appropriated in this act to the Department of Transportation (Department), and beginning in the
34 2017-2018 fiscal year, the sum of seven hundred fifty thousand dollars (\$750,000) in recurring
35 funds shall be allocated to qualifying Metropolitan Planning Organizations and Rural
36 Transportation Planning Organizations to be used to fund a portion of the local match required
37 for federal State Planning and Research Program funds under 23 U.S.C. § 505. A Metropolitan
38 Planning Organization is only eligible for funding under this section if it has a population of
39 400,000 or less, as determined by the most recent census. The funds shall be allocated as
40 follows:

41 (1) For a Metropolitan Planning Organization or Rural Transportation Planning
42 Organization that includes at least one representative from a development
43 tier one area, as determined under G.S. 143B-437.08, the Department shall
44 allocate an amount equal to fifteen percent (15%) of the total local match
45 required.

46 (2) For a Metropolitan Planning Organization or Rural Transportation Planning
47 Organization that does not qualify under subdivision (1) of this subsection,
48 but includes at least one representative from a development tier two area, as
49 determined under G.S. 143B-437.08, the Department shall allocate an
50 amount equal to ten percent (10%) of the total local match required.

- 1 (3) The Department shall not allocate any funds under this subsection to a
2 Metropolitan Planning Organization or Rural Transportation Planning
3 Organization that does not qualify under this subsection.

4 **SECTION 34.8.(b)** Establish Corridor Development Unit. – The Department shall
5 establish a Corridor Development Unit within, and under the direction of, the Division of
6 Planning and Programming of the Department. The Corridor Development Unit shall work
7 with organizations that receive funding under subsection (a) of this section to develop detailed
8 corridor studies on highway projects prior to submitting the project for inclusion and
9 prioritization in a long-term transportation planning document. The studies required under this
10 subsection shall include an identification of each segment of a highway project, cost estimates
11 for each segment, and an identification of logical termini for each segment.

12 **SECTION 34.8.(c)** Report. – The Department shall develop a report for each fiscal
13 year of the 2017-2019 fiscal biennium on the usage of federal State Planning and Research
14 Program funds allocated in accordance with this section for that fiscal year. The Department
15 shall submit the reports, including any legislative recommendations for improving the
16 development of rural transportation projects, to the Joint Legislative Transportation Oversight
17 Committee by (i) April 1, 2018, for the first report and (ii) April 1, 2019, for the second report.

18 **EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS**

19 **SECTION 34.9.** G.S. 136-44.17(b) reads as rewritten:

20 "(b) Eligible Activities or Treatments. – Applications eligible for funding under the
21 pavement preservation program include the following preservation activities or treatments for
22 asphalt pavement structures:

- 23 ...
24
25 (14) Pavement markers and markings.

26 **CODIFY BRIDGE PROGRAM LAW**

27 **SECTION 34.10.(a)** Subsection (a) of Section 34.18 of S.L. 2014-100, as amended
28 by Section 29.6 of S.L. 2015-241, is repealed.

29 **SECTION 34.10.(b)** Article 5 of Chapter 136 of the General Statutes is amended
30 by adding a new section to read:

31 **§ 136-76.2. Bridge program.**

32 (a) Establishment. – The Department of Transportation shall rename the "system
33 preservation program" the "bridge program."

34 (b) Bridge Replacement. – There is annually appropriated from the Highway Fund to
35 the bridge program established under subsection (a) of this section, the sum of thirty million
36 dollars (\$30,000,000) to be used solely for the replacement of deficient bridges that will cost in
37 excess of twenty million dollars (\$20,000,000).

38 (c) Other Uses. – Any additional funds appropriated, allocated, credited, or otherwise
39 transferred to the bridge program established under subsection (a) of this section shall be used
40 for improvements to culverts associated with a component of the State highway system and
41 improvements to structurally deficient and functionally obsolete bridges. No more than ten
42 percent (10%) of the funds described in this subsection may be used for improvements to
43 culverts associated with a component of the State highway system, and the funds may only be
44 used for culverts that are 54 inches or greater in size and rated by the Department as in poor
45 condition.

46 (d) Outsourcing. – All projects funded under the bridge program established under
47 subsection (a) of this section, with the exception of inspection, pre-engineering, contract
48 preparation, contract administration and oversight, and planning activities, shall be outsourced
49 to private contractors."

50 **SECTION 34.10.(c)** G.S. 119-18(b) reads as rewritten:
51

1 "(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied
2 first to the costs of administering this Article and Subchapter V of Chapter 105 of the General
3 Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway
4 Fund to be used for the bridge program under the Department of Transportation in the highway
5 maintenance program program established under G.S. 136-76.2."
6

7 **HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND**
8 **CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS**

9 **SECTION 34.11.(a)** G.S. 136-44.3A reads as rewritten:

10 "**§ 136-44.3A. Highway Maintenance Improvement Program.**

11 (a) Definitions. – The following definitions apply in this Article:

12 ...

13 (4) Highway Maintenance Improvement Program Needs Assessment. – A report
14 of the amount of funds needed, the number of affected lane miles, and the
15 percentage of the primary and secondary system roads that are rated to need
16 a resurfacing or pavement preservation treatment within the Highway
17 Maintenance Improvement Program's ~~three-year~~ five-year time period but
18 are not programmed due to funding constraints.

19 ...

20 (c) Highway Maintenance Improvement Program. – After the annual inspection of
21 roads within the State highway system, each highway division shall determine and report to the
22 Chief Engineer on the need for rehabilitation, resurfacing, or pavement preservation treatments.
23 The Chief Engineer shall establish a ~~three-year~~ five-year priority list for each highway division
24 based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a
25 ~~three-year~~ five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,
26 and pavement preservation treatment activities. The schedule shall be based on the amount of
27 funds appropriated to the contract resurfacing program and the pavement preservation program
28 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program
29 for all ~~three~~ five years of the Highway Maintenance Improvement Program. State funding for
30 the Highway Maintenance Improvement Program shall be limited to funds appropriated from
31 the State Highway Fund.

32 "

33 **SECTION 34.11.(b)** G.S. 136-44.3A(c), as amended by subsection (a) of this
34 section, reads as rewritten:

35 "(c) Highway Maintenance Improvement Program. – After the annual inspection of
36 roads within the State highway system, each highway division shall determine and report to the
37 Chief Engineer on (i) the need for rehabilitation, resurfacing, or pavement preservation
38 ~~treatments~~ treatments, (ii) the need for bridge and general maintenance, and (iii) projected
39 changes to the condition of pavement on primary and secondary roads for each year over a
40 five-year period. The Chief Engineer shall establish a five-year priority list for each highway
41 division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall
42 establish a five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,
43 and pavement preservation treatment activities. The schedule shall be based on the amount of
44 funds appropriated to the contract resurfacing program and the pavement preservation program
45 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program
46 for all five years of the Highway Maintenance Improvement Program. State funding for the
47 Highway Maintenance Improvement Program shall be limited to funds appropriated from the
48 State Highway Fund."

49 **SECTION 34.11.(c)** By January 1, 2020, and for the purpose of forming a
50 consolidated report of all maintenance activities, the Department of Transportation shall merge
51 the Bridge Maintenance Improvement Program and the General Maintenance Improvement

1 Program into the Highway Maintenance Improvement Program established under
2 G.S. 136-44.3A.

3 **SECTION 34.11.(d)** Subsection (b) of this section becomes effective January 1,
4 2020, and applies beginning with the report due April 1, 2020. Subsection (a) of this section
5 becomes effective July 1, 2017, and applies to priority lists and improvement schedules
6 submitted on or after that date. The remainder of this section becomes effective July 1, 2017.

7
8 **REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM**
9 **SCHEDULE**

10 **SECTION 34.12.** G.S. 143B-350(f)(4) reads as rewritten:

11 "(4) To approve a schedule of all major transportation improvement projects and
12 their anticipated cost. This schedule is designated the Transportation
13 Improvement Program. The Board shall publish the schedule in a format that
14 is easily reproducible for distribution and make copies available for
15 distribution in accordance with the process established for public records in
16 Chapter 132 of the General Statutes. ~~The document that contains the~~
17 ~~Transportation Improvement Program, or a separate document that is~~
18 ~~published at the same time as the Transportation Improvement Program,~~
19 ~~shall include the anticipated funding sources for the improvement projects~~
20 ~~included in the Program and a list of any changes made from the previous~~
21 ~~year's Program, and the reasons for the changes."~~

22
23 **DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS**

24 **SECTION 34.13.** Article 1 of Chapter 136 of the General Statutes is amended by
25 adding a new section to read:

26 **"§ 136-12.3. Outsourcing and project delivery reports.**

27 (a) Intent. – It is the intent of the General Assembly to take all steps necessary to assist
28 the Department of Transportation in accelerating project delivery and reducing costs incurred
29 by the State. The General Assembly finds that shifting more control over projects to each of the
30 Highway Divisions can assist in achieving this intent. Further, the General Assembly
31 encourages each Highway Division to increase its outsourcing of preconstruction activities to
32 private contractors to sixty percent (60%) of the total cost of preconstruction activities
33 performed by the Highway Division, with the belief that increased outsourcing will also assist
34 in achieving this intent. Therefore, in order to assess the results from shifting project control
35 and increasing the use of outsourcing, and to determine what adjustments may be necessary to
36 improve upon the results, the General Assembly finds that reports are necessary to collect
37 baseline data to establish appropriate targets.

38 (b) Outsourcing Report. – For each Highway Division, the Department shall provide a
39 detailed biannual report on all payments made to private contractors for preconstruction
40 activities. In order to compare internal costs incurred with payments made to private
41 contractors, and except as otherwise provided in this subsection, the Department shall include
42 project-specific expenses incurred by division, regional, or central staff. The Department shall
43 not include expenses incurred for central business units that support and oversee outsourcing
44 functions. The information in the first report submitted under this subsection shall be used to
45 establish a baseline to use for setting future preconstruction outsourcing targets. The
46 Department shall submit the reports required under this subsection to the Joint Legislative
47 Transportation Oversight Committee by September 1 and March 1 of each year.

48 (c) Project Delivery Report. – For each Highway Division, the Department shall
49 provide a detailed annual report in accordance with the following requirements:

- 1 (1) The report shall detail the progress of the following types of projects in the
2 State Transportation Improvement Program current for the period covered
3 by the report:
4 a. Bridge projects with a cost in excess of ten million dollars
5 (\$10,000,000).
6 b. Interstate highway projects.
7 c. Rural highway projects.
8 d. Urban highway projects.
9 (2) For each project, the report shall indicate the status of all of the following
10 phases:
11 a. Planning a design in progress.
12 b. Right-of-way acquisition in progress.
13 c. Project let for construction.
14 d. Construction substantially complete and traffic using facility.
15 (3) For each project, and as applicable, the report shall include an indication and
16 explanation for project stages that are delayed during the period covered by
17 the report, and the delay has been for more than one year.
18 (4) For each project, the report shall include the planned and actual completion
19 date for any required environmental documentation.
20 (5) The Department shall submit the report required under this subsection to the
21 Joint Legislative Transportation Oversight Committee by March 1 of each
22 year.

23 (d) Combined Report. – The Department may combine the reports required to be
24 submitted by March 1 under subsections (b) and (c) of this section into a single report.

25 (e) Consultation Required. – If a Highway Division fails to meet the established
26 preconstruction outsourcing target in two consecutive reports submitted under subsection (b) of
27 this section, or if a report submitted under subsection (c) of this section identifies a Highway
28 Division as having three or more project stages delayed for more than one year, the Division
29 Engineer of the Highway Division identified in the report shall consult with the Joint
30 Legislative Transportation Oversight Committee. The Division Engineer shall submit a request
31 for consultation to (i) all members of the Committee and (ii) the Fiscal Research Division of the
32 General Assembly. The request for consultation shall consist of a written report providing (i) an
33 explanation for the failure or delay and (ii) a plan for remedying the failure or delay. If the
34 Committee does not hold a meeting to hear the consultation required by this subsection within
35 90 days after the consultation request has been submitted, the consultation requirement is
36 satisfied."
37

38 **BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES** 39 **PERFORMED BY THE HIGHWAY DIVISION**

40 **SECTION 34.14.(a)** Study. – The Board of Transportation shall study the existing
41 fee structure for services performed by Highway Division personnel. For each type of service
42 performed by Highway Division personnel, the Board shall identify, for each of the three fiscal
43 years immediately preceding the effective date of this section, (i) the number of times a fee was
44 charged for a service performed and (ii) the number of times a fee could have been charged for
45 a service performed. The study shall identify the service performed, the amount of the fee that
46 was or could have been charged, the cost incurred by the Department of Transportation from
47 performing the service, and, if applicable, the reason for not charging the fee.

48 **SECTION 34.14.(b)** Report. – The Board shall submit its findings, including any
49 legislative recommendations, to the Joint Legislative Transportation Oversight Committee by
50 January 1, 2018.
51

1 **ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED**
2 **MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL**
3 **LAW**

4 **SECTION 34.15.(a)** G.S. 136-28.4 reads as rewritten:

5 **"§ 136-28.4. State policy concerning participation by disadvantaged minority-owned and**
6 **women-owned businesses in transportation contracts.**

7 ...

8 (b1) Based upon the findings of the Department's 2014 study entitled "North Carolina
9 Department of Transportation Disparity Study, 2014," hereinafter referred to as "Study", the
10 program design shall, to the extent reasonably practicable, incorporate narrowly tailored
11 remedies identified in the Study, and the Department shall implement a comprehensive
12 antidiscrimination enforcement policy. As appropriate, the program design shall be modified by
13 rules adopted by the Department that are consistent with findings made in the Study and in
14 subsequent studies conducted in accordance with subsection (b) of this section. As part of this
15 program, the Department shall review its budget and establish ~~aspirational goals~~ a combined
16 aspirational goal every three years, not a mandatory goal, ~~in percentages~~, ~~the form of a~~
17 percentage, for the overall participation in contracts by disadvantaged minority-owned and
18 women-owned businesses. ~~These aspirational goals~~ This aspirational goal for disadvantaged
19 minority-owned and women-owned businesses shall be established consistent with federal
20 ~~methodology~~, methodology and ~~they~~ shall not be applied rigidly on specific contracts or
21 projects. Instead, the Department shall establish ~~contract specific goals or project specific goals~~
22 a contract-specific goal or project-specific goal for the participation of such firms in a manner
23 consistent with availability of disadvantaged minority-owned and women-owned businesses, as
24 appropriately defined by its most recent Study, ~~for each disadvantaged minority-owned and~~
25 ~~women-owned business category that has demonstrated significant disparity in contract~~
26 ~~utilization~~. Study. Nothing in this section shall authorize the use of quotas. Any program
27 implemented as a result of the Study conducted in accordance with this section shall be
28 narrowly tailored to eliminate the effects of historical and continuing discrimination and its
29 impacts on such disadvantaged minority-owned and women-owned businesses without any
30 undue burden on other contractors. The Department shall give equal opportunity for contracts it
31 lets without regard to race, religion, color, creed, national origin, sex, age, or handicapping
32 condition, as defined in G.S. 168A-3, to all contractors and businesses otherwise qualified.

33 ...

34 (e) ~~This section expires August 31, 2017.~~"

35 **SECTION 34.15.(b)** The Department of Transportation shall develop a plan to
36 establish and implement the combined goal required under subsection (a) of this section. The
37 Department shall submit its plan, including any legislative recommendations, to the Joint
38 Legislative Transportation Oversight Committee by February 1, 2018. The Department shall
39 implement its plan developed under this subsection by April 1, 2018.

40 **SECTION 34.15.(c)** G.S. 136-28.4(b1), as amended by subsection (a) of this
41 section, becomes effective April 1, 2018. The remainder of this section is effective when it
42 becomes law.

43
44 **"DOT REPORT" PROGRAM REVISIONS**

45 **SECTION 34.16.(a)** G.S. 136-18.05 reads as rewritten:

46 **"§ 136-18.05. Establishment of "DOT Report" Program.**

47 ...

48 (b) Establishment and Components. – To achieve the intent set forth in subsection (a) of
49 this section, the Department shall establish and implement the "DOT Report" Program
50 (Program). The Program shall include the following components:

1 (1) Responsiveness. – The Department shall structure the Program to gather
2 citizen input and shall commit to quickly addressing structural problems and
3 other road hazards on State-maintained roads. Citizens may report potholes,
4 drainage issues, culvert blockages, guardrail repairs, damaged or missing
5 signs, malfunctioning traffic lights, highway debris, or shoulder damage to
6 the Department of Transportation by calling a toll-free telephone number
7 designated by the Department or submitting an online work request through
8 a Web site link designated by the Department. Beginning January 1, 2016,
9 upon receiving a citizen report in accordance with this subdivision, the
10 Department shall either address the reported problem or identify a solution
11 to the reported problem. ~~Excluding potholes, which shall be repaired within~~
12 ~~two business days of the date the report is received, the~~ The Department of
13 Transportation shall properly address (i) safety-related citizen reports no
14 later than 10 business days after the date the report is received and (ii)
15 non-safety-related citizen reports—reports, including potholes, no later than
16 15 business days after the date the report is received. The Department shall
17 determine, in its discretion, whether a citizen report is safety-related or
18 non-safety-related. The Department shall transmit information received
19 about potholes or other problems on roads not maintained by the State to the
20 appropriate locality within two business days of receiving the citizen report.
21 The Department shall provide a monthly report to all of the following on the
22 number of citizen reports received under this subdivision for the month
23 immediately preceding the monthly report, the number of citizen reports
24 fully addressed within the time frames set forth in this subdivision for the
25 month immediately preceding the monthly report, the number of citizen
26 reports addressed outside of the time frames set forth in this subdivision for
27 the month immediately preceding the monthly report, and the number of
28 citizen reports not fully addressed for the month immediately preceding the
29 report:

30 a. The Joint Legislative Transportation Oversight Committee.

31 b. The Fiscal Research Division of the General Assembly.

32 c. The chairs of the House of Representatives Appropriations
33 Committee on Transportation.

34 d. The chairs of the Senate Appropriations Committee on the
35 Department of Transportation.

36 (1a) Efficiency. – The Department shall adopt procedures in all stages of the
37 construction process to streamline project delivery, including consolidating
38 environmental review processes, expediting multiagency reviews,
39 accelerating right-of-way acquisitions, and pursuing design build and other
40 processes to collapse project stages. By December 1, 2015, the Department
41 shall establish a baseline unit pricing structure for transportation goods used
42 in highway maintenance and construction projects and set annual targets for
43 three years based on its unit pricing. In forming the baseline unit prices and
44 future targets, the Department shall collect data from each Highway Division
45 on its expenditures on transportation goods during the 2015-2016 fiscal year.
46 Beginning January 1, 2016, no Highway Division shall exceed a ten percent
47 (10%) variance over a baseline unit price set for that year in accordance with
48 this subdivision. The Department of Transportation shall institute quarterly
49 tracking to monitor pricing variances. The ten percent (10%) maximum
50 variance set under this subdivision is intended to account for regional
51 differences requiring varying product mixes. If a Highway Division exceeds

1 the unit pricing threshold, the Department shall report to the Joint
2 Legislative Transportation Oversight Committee, the Fiscal Research
3 Division of the General Assembly, the chairs of the House of
4 Representatives Appropriations Committee on Transportation, and the chairs
5 of the Senate Appropriations Committee on the Department of
6 Transportation, no later than the fifteenth day following the end of the
7 quarter on why the variance occurred and what steps are being taken to bring
8 the Highway Division back into compliance. In order to drive savings, unit
9 pricing may be reduced annually as efficiencies are achieved.

10 "

11 **SECTION 34.16.(b)** Section 29.14(b) of S.L. 2015-241 is repealed.

12
13 **STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE**
14 **STATEMENT**

15 **SECTION 34.17.** G.S. 136-41.3 is amended by adding a new subsection to read:

16 "**(b1) Failure to File.** – A municipality that fails to timely file the statement required under
17 subsection (b) of this section shall be ineligible to receive funds under G.S. 136-41.1 or
18 G.S. 136-41.2 for the remainder of the fiscal year in which the municipality failed to timely file
19 the statement. This subsection does not apply to a municipality whose failure to timely file the
20 statement required under subsection (b) of this section is due to a natural disaster."

21
22 **EXTEND MORATORIUM ON ADOPTION OF NEW MAPS UNDER THE MAP ACT**

23 **SECTION 34.18.** G.S. 136-44.50(h) reads as rewritten:

24 "(h) No new transportation corridor official map may be adopted pursuant to this section
25 from July 1, 2016, to July 1, ~~2017~~2018."

26
27 **FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE**

28 **SECTION 34.19.(a)** 2017-2018 Allocations. – Of the funds appropriated from the
29 Highway Fund to the Department of Transportation for capital improvements at commercial
30 airports, the following sums in nonrecurring funds for the 2017-2018 fiscal year, which are
31 based on the economic output of commercial airports that are medium-sized hubs or smaller,
32 shall be allocated by the Department as follows:

- 33 (1) Twenty-one million two hundred eighty-two thousand one hundred
34 thirty-one dollars (\$21,282,131) to the Raleigh-Durham International
35 Airport.
- 36 (2) Eight hundred sixty-four thousand seven hundred eight dollars (\$864,708) to
37 the Albert J. Ellis Airport.
- 38 (3) Two million twenty-six thousand three hundred thirty-one dollars
39 (\$2,026,331) to the Asheville Regional Airport.
- 40 (4) Six hundred fifty-three thousand one hundred sixty-two dollars (\$653,162)
41 to the Coastal Carolina Regional Airport.
- 42 (5) Five hundred eighty-six thousand nine hundred one dollars (\$586,901) to the
43 Concord Regional Airport.
- 44 (6) One million one hundred thirty-nine thousand six hundred seventy dollars
45 (\$1,139,670) to the Fayetteville Regional Airport.
- 46 (7) Seven million one hundred twenty-three thousand eighty-two dollars
47 (\$7,123,082) to the Piedmont Triad International Airport.
- 48 (8) Three hundred seventy-seven thousand seventy dollars (\$377,070) to the
49 Pitt-Greenville Airport.
- 50 (9) Five million nine hundred forty-six thousand nine hundred forty-five dollars
51 (\$5,946,945) to the Wilmington International Airport.

1 **SECTION 34.19.(b)** 2018-2019 Allocation to RDU. – Of the funds appropriated
2 from the Highway Fund to the Department of Transportation for capital improvements at
3 commercial airports, and beginning in the 2018-2019 fiscal year, the sum of thirty-one million
4 two hundred eighty-two thousand one hundred thirty-one dollars (\$31,282,131) in recurring
5 funds shall be allocated by the Department to the Raleigh-Durham International Airport.

6 **SECTION 34.19.(c)** 2018-2019 Allocations to Other Airports. – Of the funds
7 appropriated from the Highway Fund to the Department of Transportation for capital
8 improvements at commercial airports, the following sums in nonrecurring funds for the
9 2018-2019 fiscal year shall be allocated as follows:

- 10 (1) Eight hundred sixty-four thousand seven hundred eight dollars (\$864,708) to
11 the Albert J. Ellis Airport.
- 12 (2) Two million twenty-six thousand three hundred thirty-one dollars
13 (\$2,026,331) to the Asheville Regional Airport.
- 14 (3) Six hundred fifty-three thousand one hundred sixty-two dollars (\$653,162)
15 to the Coastal Carolina Regional Airport.
- 16 (4) Five hundred eighty-six thousand nine hundred one dollars (\$586,901) to the
17 Concord Regional Airport.
- 18 (5) One million one hundred thirty-nine thousand six hundred seventy dollars
19 (\$1,139,670) to the Fayetteville Regional Airport.
- 20 (6) Seven million one hundred twenty-three thousand eighty-two dollars
21 (\$7,123,082) to the Piedmont Triad International Airport.
- 22 (7) Three hundred seventy-seven thousand seventy dollars (\$377,070) to the
23 Pitt-Greenville Airport.
- 24 (8) Five million nine hundred forty-six thousand nine hundred forty-five dollars
25 (\$5,946,945) to the Wilmington International Airport.

26 **SECTION 34.19.(d)** Permissible Uses. – Each airport receiving funds under this
27 section may use the funds allocated to it under this section to (i) fund improvements to the
28 airport and (ii) pay debt service or related financing costs and expenses on revenue bonds or
29 notes issued by the airport.

30 **SECTION 34.19.(e)** Report. – The Department of Transportation shall provide a
31 report on the use or uses by each airport of funds allocated to the airport under this section. The
32 Department shall submit the report required under this subsection by March 1, 2019, to the
33 Joint Legislative Transportation Oversight Committee.

34 **REQUIRE USE OF OUTSIDE VENDOR TO SELL SIKORSKY HELICOPTER**

35 **SECTION 34.20.(a)** Section 34.10(a) of S.L. 2014-100 reads as rewritten:

36 **"SECTION 34.10.(a)** The Division of Aviation of the Department of Transportation shall
37 sell the following aircraft from its fleet as expeditiously as possible in order to modernize the
38 fleet:
39

- 40 (1) Sikorsky S-76C helicopter.
- 41 (2) Cessna 550 Citation Bravo airplane.

42 The Division of Aviation shall utilize and contract with an outside vendor that specializes
43 or has experience in the sale of aviation equipment to sell the helicopter described in
44 subdivision (1) of this subsection. Proceeds from these sales as well as any future sales under
45 the plan required by subsection (b) of this section shall be credited to a nonreverting reserve
46 within the Highway Fund to be used for future aircraft or equipment acquisitions by the
47 Division of Aviation. The Division shall not acquire or dispose of additional aviation assets
48 prior to its report to the Joint Legislative Transportation Oversight Committee required by
49 subsection (c) of this section."

50 **SECTION 34.20.(b)** The Division of Aviation of the Department of Transportation
51 shall identify and contract with an outside vendor in accordance with subsection (a) of this

1 section by August 1, 2017. The Division of Aviation shall submit a report to the Joint
2 Legislative Transportation Oversight Committee by August 15, 2017, providing details as to
3 the contract entered into in accordance with subsection (a) of this section, including an
4 identification of the outside vendor and the total cost of the contract to the State.
5

6 **REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL**

7 **SECTION 34.21.(a)** G.S. 105-164.44M reads as rewritten:

8 **"§ 105-164.44M. Transfer to Division of Aviation.**

9 The net proceeds of the tax collected on aviation gasoline and jet fuel under G.S. 105-164.4
10 must be transferred within 75 days after the end of each fiscal year to the Highway Fund. This
11 amount is annually appropriated from the Highway Fund to the Division of Aviation of the
12 Department of Transportation for prioritized capital improvements to ~~public-general aviation~~
13 airports ~~and~~ for time-sensitive aviation capital improvement projects for economic development
14 purposes."

15 **SECTION 34.21.(b)** This section becomes effective January 1, 2018, and applies
16 to sales made on or after that date.
17

18 **MUNICIPALITIES AND COUNTIES/RETURN OF BICYCLE AND PEDESTRIAN** 19 **PLANNING GRANT FUNDS**

20 **SECTION 34.22.(a)** Article 2 of Chapter 136 of the General Statutes is amended
21 by adding a new section to read:

22 **"§ 136-41.5. Return of Bicycle and Pedestrian Planning Grant funds.**

23 (a) Return of Funds. – If a municipality or county fails to complete a project identified
24 in a plan described in an application for Bicycle and Pedestrian Planning Grant funds within six
25 years from the date the municipality or county receives the grant funds, the municipality or
26 county shall return the total amount of the grant funds awarded for that plan to the Division of
27 Bicycle and Pedestrian Transportation of the Department of Transportation.

28 (b) Use of Funds. – Funds returned pursuant to subsection (a) of this section shall be
29 credited to the fund from which they were appropriated and shall remain unexpended and
30 unencumbered until appropriated by the General Assembly. Nothing in this subsection shall be
31 construed as authorizing the expenditure of funds in violation of any applicable federal law.

32 (c) Notice. – The Division of Bicycle and Pedestrian Transportation shall include a
33 clause in any Bicycle and Pedestrian Planning Grant agreement or contract setting forth the
34 requirement imposed under subsection (a) of this section."

35 **SECTION 34.22.(b)** This section becomes effective July 1, 2017, and applies to
36 any grants or contracts entered into on or after that date.
37

38 **RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI**

39 **SECTION 34.23.** The Rail Division of the Department of Transportation shall
40 develop a five-year spending plan for the funds in the Freight Rail & Rail Crossing Safety
41 Improvement Fund within the Highway Fund. The Rail Division shall submit its five-year
42 spending plan to the Joint Legislative Transportation Oversight Committee by December 1,
43 2017.
44

45 **RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN** 46 **CONTRACTS**

47 **SECTION 34.24.(a)** Article 2D of Chapter 136 of the General Statutes is amended
48 by adding a new section to read:

49 **"§ 136-44.40. Report required for certain Rail Division contracts.**

50 In addition to any other requirements provided by State or federal law, the Rail Division of
51 the Department of Transportation shall submit a report to the Joint Legislative Transportation

1 Oversight Committee prior to entering into a contract with a duration of five or more years and
2 requiring an estimated expenditure of State funds in an amount totaling or exceeding one
3 million five hundred thousand dollars (\$1,500,000). The report shall (i) identify the total cost of
4 the proposed contract, (ii) identify the duration of the proposed contract, (iii) identify the other
5 party or parties to the proposed contract, and (iv) identify any other terms of the proposed
6 contract that are deemed relevant by the Rail Division."

7 **SECTION 34.24.(b)** This section is effective when it becomes law and applies to
8 contracts entered into on or after that date.

9
10 **NORTH CAROLINA RAILROAD COMPANY/DEVELOP A 10-YEAR CAPITAL**
11 **PLAN**

12 **SECTION 34.25.** The North Carolina Railroad Company shall develop a 10-year
13 capital plan. As part of the plan, the North Carolina Railroad Company shall identify which
14 projects would be eligible for funding under Article 14B of Chapter 136 of the General
15 Statutes. The North Carolina Railroad Company shall submit its 10-year capital plan to the
16 Joint Legislative Transportation Oversight Committee by March 1, 2018.

17
18 **GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING**

19 **SECTION 34.26.(a)** Strategic Plan; Report. – By January 1, 2018, the Global
20 TransPark Authority shall establish and implement a strategic plan for the Global TransPark.
21 The Global TransPark Authority may use a portion of funds appropriated to it in this act to
22 establish and implement the strategic plan required under this subsection. The Global
23 TransPark Authority shall submit a report to the Joint Legislative Transportation Oversight
24 Committee by January 15, 2018, detailing the strategic report established and implemented as
25 required by this subsection.

26 **SECTION 34.26.(b)** Marketing. – The Global TransPark Authority shall utilize
27 and contract with an outside vendor to provide marketing services for the Global TransPark.
28 The Global TransPark Authority shall identify and contract with an outside vendor in
29 accordance with this subsection by February 1, 2018. The Global TransPark Authority shall
30 submit a report to the Joint Legislative Transportation Oversight Committee by February 15,
31 2018, providing details as to the contract entered into in accordance with this subsection,
32 including an identification of the outside vendor and the total cost of the contract to the State.

33 **SECTION 34.26.(c)** Web Site. – The Communications Office of the Department of
34 Transportation shall manage the Web site for the Global TransPark, including providing regular
35 updates on the Web site as to, at a minimum, (i) achievements of the Global TransPark, (ii)
36 business opportunities available at the Global TransPark, and (iii) events held at the Global
37 TransPark.

38
39 **NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE**
40 **AND CAPITAL PROJECTS**

41 **SECTION 34.27.(a)** G.S. 136-176 reads as rewritten:

42 **"§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust**
43 **Fund.**

44 ...

45 (b) ~~Funds~~ Except as otherwise provided in this section, funds in the Trust Fund are
46 annually appropriated to the Department of Transportation to be allocated and used as provided
47 in this subsection. A sum, in the amount appropriated by law, may be used each fiscal year by
48 the Department for expenses to administer the Trust Fund. Operation and project development
49 costs of the North Carolina Turnpike Authority are eligible administrative expenses under this
50 subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by
51 the Authority from its toll revenue as soon as possible, subject to any restrictions included in

1 the agreements entered into by the Authority in connection with the issuance of the Authority's
2 revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed
3 Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund
4 at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust
5 Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited
6 in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be
7 necessary to meet the State matching funds requirements to receive federal-aid highway trust
8 funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the
9 Trust Fund shall be allocated and used as specified in G.S. 136-189.11.

10 The Department must administer funds allocated under this section in a manner that ensures
11 that sufficient funds are available to make the debt service payments on bonds issued under the
12 State Highway Bond Act of 1996 as they become due.

13 ...

14 (b3) There is annually appropriated to the North Carolina State Ports Authority from the
15 Highway Trust Fund the sum of forty-five million dollars (\$45,000,000) to be used to pay debt
16 service or related financing costs and expenses on revenue bonds or notes issued by the State
17 Ports Authority. In addition, funds appropriated under this subsection may be used for capital
18 projects. The appropriations established by this subsection constitute an agreement by the State
19 to pay the funds appropriated hereby to the State Ports Authority within the meaning of
20 G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that
21 the enactment of this subsection and the issuance of bonds or notes by the State Ports Authority
22 in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing
23 power of the State, and nothing contained herein shall prohibit the General Assembly from
24 amending the appropriations made in this subsection at any time to decrease or eliminate the
25 amount annually appropriated to the State Ports Authority. Funds appropriated pursuant to this
26 subsection are not subject to the formula set forth in G.S. 136-189.11.

27"

28 **SECTION 34.27.(b)** G.S. 136-189.11(b) reads as rewritten:

29 "(b) Funds Excluded From Formula. – The following funds are not subject to this
30 section:

31 ...

32 (11) Funds appropriated to the North Carolina State Ports Authority pursuant to
33 G.S. 136-176(b3)."

34 **STATE PORTS AUTHORITY/FUNDING FOR DREDGING**

35 **SECTION 34.28.** Of the funds appropriated to the North Carolina State Ports
36 Authority under G.S. 136-176(b3), as enacted by Section 34.27 of this act, up to twelve million
37 dollars (\$12,000,000) in nonrecurring funds for the 2017-2018 fiscal year may be used for the
38 dredging of approaches to State port facilities.
39

40 **STUDY/USE OF DREDGE MANTEO**

41 **SECTION 34.29.** The Department of Transportation shall study the use of its new
42 dredge vessel, the Dredge Manteo. As part of this study, the Department shall include (i) an
43 approximation of the annual cost to the State to operate and maintain the dredge vessel and (ii)
44 a plan to allow use of the dredge vessel by other State departments and agencies. The
45 Department shall report its findings, including any recommended legislation, to the Joint
46 Legislative Transportation Oversight Committee by December 1, 2017.
47

48 **DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS**

49 **SECTION 34.30.(a)** Expand Performance Dashboard. – The Department of
50 Transportation shall expand its performance dashboard available on the Department's home
51

1 page on the Department's Web site to track the following information about the Division of
2 Motor Vehicles of the Department:

- 3 (1) The number of motor vehicle registrations issued per month and
4 year-to-date.
- 5 (2) The number of motor vehicle registrations renewed per month and
6 year-to-date.
- 7 (3) The number of drivers licenses issued per month and year-to-date.
- 8 (4) The number of drivers licenses renewed per month and year-to-date.
- 9 (5) The number of motor vehicle registrations renewed online per month and
10 year-to-date.
- 11 (6) The number of drivers licenses renewed online per month and year-to-date.
- 12 (7) The number of persons in the Division's Medical Review Program per month
13 and year-to-date.
- 14 (8) The average wait time per month and year-to-date for persons contacting
15 Division call centers.
- 16 (9) The total number of persons employed by the Division as of the first day of
17 each month. The number provided in accordance with this subdivision shall
18 include full-time, part-time, and temporary employees.

19 **SECTION 34.30.(b)** Implementation Date. – The expansion of the Department's
20 performance dashboard required under subsection (a) of this section shall be completed by
21 October 1, 2017.

22 23 **DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES**

24 **SECTION 34.31.** The Division of Motor Vehicles of the Department of
25 Transportation shall purchase, and not lease, devices solely used for processing payments by
26 credit or debit cards. The purchase price of a device subject to this section shall include the cost
27 for any upgrades or replacements to the device necessitated by changes in technology affecting
28 the processing of payments by credit or debit cards.

29 30 **DMV/HEARING FEE IMPLEMENTATION REVISIONS**

31 **SECTION 34.32.** Section 34.9 of S.L. 2014-100, as amended by Section 29.30A of
32 S.L. 2015-241, reads as rewritten:

33 **"SECTION 34.9.(a)** The Department of Transportation, Division of Motor Vehicles, shall
34 develop a plan and proposed schedule of fees to recover a portion of the direct and indirect
35 costs incurred for the performance of administrative hearings required by law or under rules
36 adopted by the Board of Transportation. The plan and proposed schedule shall address, at a
37 minimum, the following:

- 38 (1) Current hearing process and recommended modifications to achieve cost
39 efficiencies, including proposed revisions to existing laws or rules.
- 40 (2) Historical and projected funding requirements for each category of hearing
41 performed by the Division.
- 42 (3) Schedule of fees and projected receipts.
- 43 (4) Proposed processes and rules for the collection of fees and the refunding of
44 fees for hearings initiated by the Division in which the original decision of
45 the Division is reversed.
- 46 (5) Implementation milestones.

47 ...
48 **"SECTION 34.9.(c)** From funds appropriated to the Department of Transportation,
49 Information Technology Section for the 2014-2015 fiscal year, the Department shall implement
50 modifications to supporting information technology systems necessary to timely implement the
51 hearing fee schedule required by subsection (a) of this section. The Department shall

1 implement the hearing fee schedule required by subsection (a) of this section by no later than
2 ~~July 1, 2017.~~ January 1, 2018.
3

4 **DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES**

5 **SECTION 34.33.(a)** Study. – The Division of Motor Vehicles of the Department
6 of Transportation, in consultation with the Department of Revenue, shall study streamlining the
7 processes motor carriers must follow to comply with the requirements of the International Fuel
8 Tax Agreement and the International Registration Plan to receive registration plates, motor
9 carrier licenses, and motor carrier decals. The study shall include an examination of the
10 feasibility of consolidating the processes within the Division of Motor Vehicles.

11 **SECTION 34.33.(b)** Report. – The Division of Motor Vehicles shall submit its
12 findings under subsection (a) of this section, including any legislative recommendations, to the
13 Joint Legislative Transportation Oversight Committee by March 1, 2018.
14

15 **PILOT PROJECT/FUNDING FOR REST AREA IN RICHMOND COUNTY**

16 **SECTION 34.34.(a)** Pilot Project. – The Department of Transportation shall
17 develop and implement a pilot project to provide funding for operating a rest area on U.S.
18 Highway 220 in Richmond County. From funds appropriated in this act to the Roadside
19 Environmental Fund in the Highway Fund, the Department shall allocate the sum of one
20 hundred thousand dollars (\$100,000) in nonrecurring funds for each fiscal year of the
21 2017-2019 fiscal biennium to Richmond County for funding the rest area described in this
22 subsection.

23 **SECTION 34.34.(b)** Distribution of Brochures. – Notwithstanding any State law or
24 rule to the contrary, brochures and other materials advertising local attractions and
25 accommodations may be distributed at the rest area funded under subsection (a) of this section.

26 **SECTION 34.34.(c)** Report. – The Department shall provide a report on the results
27 of the pilot project required under subsection (a) of this section to the Joint Legislative
28 Transportation Oversight Committee by December 1, 2018. The report shall include (i) the
29 average daily number of visitors to the rest area, (ii) the average monthly number of visitors to
30 the rest area, (iii) the total number of visitors to the rest area, and (iv) the average annual costs
31 to operate the rest area. The information required under this subsection shall be for the period
32 from when the rest area begins operation to November 1, 2018.
33

34 **PART XXXV. SALARIES AND BENEFITS**

35 36 **ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY** 37 **INCREASE EFFECTIVE JULY 1, 2017**

38 **SECTION 35.1.(a)** Except as provided by subsection (b) of this section, a person
39 (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act, or as
40 otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30,
41 2017, is awarded a legislative salary increase in the amount of seven hundred fifty dollars
42 (\$750.00) or one and one-half percent (1.5%), whichever is greater, effective July 1, 2017.

43 **SECTION 35.1.(b)** The following persons are not eligible to receive the legislative
44 salary increases provided by subsection (a) of this section:

- 45 (1) Employees of the judicial branch.
- 46 (2) Employees paid pursuant to G.S. 20-187.3, 7A-102, or 7A-171.1; except that
47 members of the State Highway Patrol shall receive the increase as provided
48 by subsection (d) of this section.
- 49 (3) Teachers, principals, and assistant principals paid pursuant to a salary
50 schedule or pay plan enacted in this act.

- (4) Correctional Officers, Custody Supervisors, and Prison Facility Administrators who are reclassified or otherwise receive salary increases or salary adjustments.

SECTION 35.1.(c) Part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 35.1.(d) The maximum pay ranges for members of the State Highway Patrol shall be increased, as appropriate, to account for the salary increase awarded by this section.

SECTION 35.1.(e) Any excess funds in the reserve for this legislative compensation increase shall be used as follows:

- (1) First, toward any funding shortfalls in order to bring all positions to the salary range minimum under the new Classification and Compensation System.
- (2) Second, by the Office of State Human Resources to settle outstanding workers compensation claims.

GOVERNOR AND COUNCIL OF STATE

SECTION 35.2.(a) Effective July 1, 2017, the salary of the Governor as provided by G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred forty four thousand three hundred ninety nine dollars (\$144,399)~~ one hundred forty-six thousand five hundred sixty-five dollars (\$146,565) annually, payable monthly."

SECTION 35.2.(b) Effective July 1, 2017, the annual salaries for members of the Council of State, payable monthly, for the 2017-2019 fiscal biennium are as follows:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$129,474
Attorney General	129,474
Secretary of State	129,474
State Treasurer	129,474
State Auditor	129,474
Superintendent of Public Instruction	129,474
Agriculture Commissioner	129,474
Insurance Commissioner	129,474
Labor Commissioner	129,474

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.3. Effective July 1, 2017, the annual salaries, payable monthly, for the following executive branch officials for the 2017-2019 fiscal biennium are as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$115,249
State Controller	160,879
Commissioner of Banks	129,474
Chair, Board of Review, Division of Employment Security	126,981
Members, Board of Review, Division of Employment Security	125,416
Chairman, Parole Commission	126,981
Members of the Parole Commission	117,329
Chairman, Utilities Commission	144,076
Members of the Utilities Commission	129,474
Executive Director, North Carolina Agricultural Finance Authority	112,207

JUDICIAL BRANCH

SECTION 35.4.(a) For the 2017-2019 fiscal biennium, the annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall not be increased legislatively. Nothing in this section affects G.S. 7A-102 or 7A-171.1.

SECTION 35.4.(b) The annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged for the 2017-2019 fiscal biennium, as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$150,086
Associate Justice, Supreme Court	146,191
Chief Judge, Court of Appeals	143,878
Judge, Court of Appeals	140,144
Judge, Senior Regular Resident Superior Court	136,364
Judge, Superior Court	132,584
Chief Judge, District Court	120,490
Judge, District Court	116,710
District Attorney	127,215
Assistant Administrative Officer of the Courts	123,469
Public Defender	127,215
Director of Indigent Defense Services	131,145

SECTION 35.4.(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-six thousand seventy-three dollars (\$76,073) and the minimum salary of any assistant district attorney or assistant public defender is at least forty thousand three hundred sixty-six dollars (\$40,366), effective July 1, 2017.

SECTION 35.4.(d) G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four percent (24%) after 25 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice~~, as a member of the Utilities ~~Commission~~, Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 35.4.(e) 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, as a member of the Utilities Commission, as an administrative law judge, 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 35.4.(f) G.S. 7A-44(b) reads as rewritten:

1 "(b) In lieu of merit and other increment raises paid to regular State employees, a judge
2 of the superior court, regular or special, shall receive as longevity pay an annual amount equal
3 to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
4 Appropriations Act payable monthly after five years of service, nine and six-tenths percent
5 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of
6 service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four
7 percent (24%) after 25 years of service. "Service" means service as a justice or judge of the
8 General Court of ~~Justice or Justice~~, as a member of the Utilities ~~Commission~~ Commission, as
9 an administrative law judge, or as director or assistant director of the Administrative Office of
10 the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

11 **SECTION 35.4.(g)** G.S. 7A-144(b) reads as rewritten:

12 "(b) Notwithstanding merit, longevity and other increment raises paid to regular State
13 employees, a judge of the district court shall receive as longevity pay an annual amount equal
14 to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
15 Appropriations Act payable monthly after five years of service, nine and six-tenths percent
16 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of
17 service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four
18 percent (24%) after 25 years of service. "Service" means service as a justice or judge of the
19 General Court of ~~Justice or Justice~~, as a member of the Utilities ~~Commission~~ Commission, as
20 an administrative law judge, or as director or assistant director of the Administrative Office of
21 the Courts. Service shall also mean service as a district attorney or as a clerk of superior court."

22 23 **LEGISLATIVE EMPLOYEES**

24 **SECTION 35.5.** Effective July 1, 2017, the annual salaries of the Legislative
25 Services Officer and of nonelected employees of the General Assembly in effect on June 30,
26 2017, shall be legislatively increased by the greater of seven hundred fifty dollars (\$750.00) or
27 one and one-half percent (1.5%) for the 2017-2019 fiscal biennium. Nothing in this act limits
28 any of the provisions of G.S. 120-32.

29 30 **GENERAL ASSEMBLY PRINCIPAL CLERKS**

31 **SECTION 35.6.** Effective July 1, 2017, G.S. 120-37(c) reads as rewritten:

32 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled
33 to other benefits available to permanent legislative employees and shall be paid an annual
34 salary of ~~one hundred seven thousand nine hundred twenty-eight dollars (\$107,928)~~, one
35 hundred nine thousand five hundred forty-seven dollars (\$109,547), payable monthly. Each
36 principal clerk shall also receive such additional compensation as approved by the Speaker of
37 the House of Representatives or the President Pro Tempore of the Senate, respectively, for
38 additional employment duties beyond those provided by the rules of their House. The
39 Legislative Services Commission shall review the salary of the principal clerks prior to
40 submission of the proposed operating budget of the General Assembly to the Governor and
41 shall make appropriate recommendations for changes in those salaries. Any changes enacted by
42 the General Assembly shall be by amendment to this paragraph."

43 44 **SERGEANTS-AT-ARMS AND READING CLERKS**

45 **SECTION 35.7.** Effective July 1, 2017, G.S. 120-37(b) reads as rewritten:

46 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of
47 ~~four hundred ten dollars (\$410.00)~~ four hundred twenty-four dollars (\$424.00) per week plus
48 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
49 at the rate provided for members of the General Assembly for one round trip only from their
50 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
51 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess

of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES

SECTION 35.8.(a) Effective for the 2017-2019 fiscal biennium:

- (1) The annual salaries of community college personnel shall be increased as provided in Section 35.1 of this act.
- (2) Funds appropriated for community college personnel salary adjustments (other than the annual salary increases awarded by Section 35.1 of this act) 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 Fiscal Research Division no later than March 1, 2018.

SECTION 35.8.(b) Effective July 1, 2017, the minimum salaries for nine-month, full-time curriculum community college faculty for the 2017-2019 fiscal biennium are as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$36,594
Associate Degree or Equivalent	37,106
Bachelor's Degree	39,329
Master's Degree or Education Specialist	41,301
Doctoral Degree	44,144

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.9. Effective for the 2017-2019 fiscal biennium, the annual salaries of University of North Carolina SHRA and EHRA employees shall be increased as provided by Section 35.1 of this act.

STATE AGENCY TEACHERS

SECTION 35.10. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the State Board of Education, and employees of the School of Science and Mathematics of the University of North Carolina who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 35.11.(a) 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

1 provide the legislative increase to receipt-supported personnel in the
2 certified budget.

3 The Director of the Budget may increase expenditures of receipts from these sources
4 in the certified budget by the amount necessary to provide the increases authorized by this Part
5 to receipt-supported personnel. Nothing in this act authorizes the transfer of funds between the
6 General Fund and the Highway Fund for salary increases.

7 **SECTION 35.11.(b)** The legislative salary increases provided in this act do not
8 apply to persons separated from service due to resignation, dismissal, reduction in force, death,
9 or retirement or whose last workday is prior to July 1, 2017.

10 **SECTION 35.11.(c)** Payroll checks issued to employees after July 1, 2017, that
11 represent payment of services provided prior to July 1, 2017, shall not be eligible for salary
12 increases provided for in this act. This subsection applies to all employees paid from State
13 funds, whether or not subject to or exempt from the North Carolina Human Resources Act,
14 including employees of public schools, community colleges, and The University of North
15 Carolina.

16

17 **MOST STATE EMPLOYEES**

18 **SECTION 35.12.** For the 2017-2019 fiscal biennium, except as otherwise
19 expressly provided by this Part, the annual salaries in effect on June 30, 2017, for the following
20 persons shall be legislatively increased only as provided by Section 35.1 of this act:

- 21 (1) Permanent full-time State officials and persons whose salaries are set in
22 accordance with the State Human Resources Act.
- 23 (2) Permanent full-time State officials and persons in positions exempt from the
24 State Human Resources Act.
- 25 (3) Permanent part-time State employees.
- 26 (4) Temporary and permanent hourly State employees.

27

28 **STATE HUMAN RESOURCES/IMPLEMENT CLASSIFICATION AND** 29 **COMPENSATION SYSTEM REFORM**

30 **SECTION 35.13.(a)** Effective January 1, 2018, the Office of State Human
31 Resources shall implement fully the new Classification and Compensation System.

32 **SECTION 35.13.(b)** During the 2017-2018 fiscal year, the Director of the Budget
33 may adjust budgeted receipts for affected receipt-supported positions and adjust salary
34 appropriations from the Highway Fund in order to implement the new system.

35

36 **SALARY ADJUSTMENT FUND**

37 **SECTION 35.14.(a)** The Salary Adjustment Fund is established to make funding
38 available for salary increases in the executive and legislative branches for specified purposes
39 only as authorized in this section. Funds appropriated to the Salary Adjustment Fund by this
40 act, or any other provision of law, shall only be used to fund the following purposes in order to
41 provide competitive salary rates:

- 42 (1) Reallocation of positions to higher level job classifications.
- 43 (2) In-range adjustments for job change.
- 44 (3) Career progression adjustments for demonstrated competencies.
- 45 (4) Salary range revisions.
- 46 (5) Geographic site differential adjustments.
- 47 (6) In-range adjustments for labor market.
- 48 (7) In-range adjustments for equity issues.
- 49 (8) Any other adjustments related to an increase in job duties or responsibilities
50 or labor market changes.

1 These adjustments must be documented through data collection and analysis according to
2 accepted human resource professional practices and standards. Further, funds may only be used
3 for salary adjustments for the stated purposes that are in compliance with State Human
4 Commission policies and other provisions of the State Human Resources Act. For the executive
5 branch, funding shall be approved by the State Human Resources Commission or Office of
6 State Human Resources and shall not be used for any other purposes.

7 **SECTION 35.14.(b)** The Director of the Budget may transfer to General Fund
8 budget codes from the Salary Adjustment Fund amounts required to support salary adjustments
9 authorized by this section. The Director of the Budget shall consult with the Joint Legislative
10 Commission on Governmental Operations prior to transferring any salary adjustment funds
11 pursuant to this section.
12

13 **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES**

14 **SECTION 35.15.(a)** The appropriations set forth in Section 2.1 of this act include
15 appropriations for legislatively mandated salary increases and employee benefits in amounts set
16 forth in the Committee Report described in Section 39.2 of this act. The Office of State Budget
17 and Management shall ensure that those funds are used only for the purposes of legislatively
18 mandated salary increases and employee benefits.

19 **SECTION 35.15.(b)** If the Director of the Budget determines that funds
20 appropriated to a State agency for legislatively mandated salary increases and employee
21 benefits exceed the amount required by that agency for those purposes, the Director may
22 reallocate those funds to other State agencies that received insufficient funds for legislatively
23 mandated salary increases and employee benefits.

24 **SECTION 35.15.(c)** No later than March 1, 2018, the Office of State Budget and
25 Management shall report to the Joint Legislative Commission on Governmental Operations on
26 the expenditure of funds for legislatively mandated salary increases and employee benefits.
27 This report shall include at least the following information for each State agency for the
28 2017-2018 fiscal year:

- 29 (1) The total amount of funds that the agency received for legislatively
30 mandated salary increases and employee benefits.
- 31 (2) The total amount of funds transferred from the agency to other State
32 agencies pursuant to subsection (b) of this section. This section of the report
33 shall identify the amounts transferred to each recipient State agency.
- 34 (3) The total amount of funds used by the agency for legislatively mandated
35 salary increases and employee benefits.
- 36 (4) The amount of funds expected to revert under subsection (a) of this section.
37

38 **MITIGATE BONUS LEAVE**

39 **SECTION 35.16.** During the 2017-2019 fiscal biennium, State agencies,
40 departments, institutions, the North Carolina Community College System, and The University
41 of North Carolina may offer State employees the opportunity to use or to cash in special bonus
42 leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a)
43 of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but
44 only if all of the following requirements are met:

- 45 (1) Employee participation in the program must be voluntary.
- 46 (2) Special leave that is liquidated for cash payment to an employee must be
47 valued at the amount based on the employee's current annual salary rate.
- 48 (3) By September 1, 2019, a report on the demographic information shall be
49 submitted to the respective agency head or employing agency and to the
50 Fiscal Research Division.
51

ESTABLISH PAY PLAN RESERVE/FUNDS

SECTION 35.17. Article 4 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"§ 143C-4-8. Pay Plan Reserve.

(a) Creation. – The Pay Plan Reserve is established within the General Fund. The General Assembly shall appropriate in the Current Operations Appropriations Act or other appropriations act a specific amount to this reserve for allocation, on an as-needed basis only, to fund statutory and scheduled pay expenses authorized by:

(1) G.S. 20-187.3.

(2) G.S. 7A-102.

(3) G.S. 7A-171.1.

(4) Teacher Salary Schedule, as enacted by the General Assembly.

(5) Pay Plans for Principals and Assistant Principals, as enacted by the General Assembly.

(b) Authorized Uses. – The funds in the Pay Plan Reserve are available to agencies for employee salary and benefit costs only if the amount of funds appropriated for statutory or scheduled salaries and benefits expenses, in any fiscal year, would be insufficient to cover those expenses for eligible employees.

(c) Request for Allocation. – After January 1 of each fiscal year, an agency may request an allocation from the Pay Plan Reserve by submitting proof to the Office of State Budget and Management (OSBM) that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses. The OSBM must certify the need for any allocation before disbursing funds from the reserve. The OSBM shall report to Fiscal Research Division on or before April 1 of each year on any disbursements made from the reserve and regarding projected recurring appropriations necessary to fully fund positions eligible for funding in the next fiscal year. Funds from the reserve may be allocated and reallocated only as expressly provided by this section."

STATE HUMAN RESOURCES/HIRE FROM POOL OF MOST QUALIFIED PERSONS

SECTION 35.18. G.S. 126-14.2 reads as rewritten:

"§ 126-14.2. Political hirings limited.

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

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

(1) Have timely applied for a position in State government;

(2) Have the essential qualifications for that position; and

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

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

(1) The complaining State employee or applicant for initial State employment timely applied for the State government position in question;

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

...."

SALARY-RELATED CONTRIBUTIONS

SECTION 35.19.(a) Effective for the 2017-2019 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 35.19.(b) Effective July 1, 2017, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2017-2018 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	10.33%	10.33%	6.84%	30.23%	18.27%
Disability	0.14%	0.14%	0.14%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	0.00%
Retiree Health	6.06%	6.06%	6.06%	6.06%	6.06%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	16.69%	21.69%	13.04%	36.29%	24.33%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.19.(c) Effective July 1, 2018, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2018-2019 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
--	-------------------------------------	-------------------	-------------	-------------	------------

	Employees					
1 Retirement	11.42%	11.42%	6.84%	31.40%	18.27%	
2 Disability	0.14%	0.14%	0.14%	0.00%	0.00%	0.00%
3 Death	0.16%	0.16%	0.00%	0.00%	0.00%	0.00%
4 Retiree Health	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%
5 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
6						
7						
8 Total Contribution						
9 Rate	18.00%	23.00%	13.26%	37.68%	24.55%	

10 The rate for teachers and State employees and State law enforcement officers
 11 includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

12 **SECTION 35.19.(d)** Effective July 1, 2017, the maximum annual employer
 13 contributions, payable monthly, by the State for each covered employee or retiree for the
 14 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i)
 15 Medicare-eligible employees and retirees – four thousand five hundred sixty dollars (\$4,560)
 16 and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred sixty-nine
 17 dollars (\$5,869).

18 **SECTION 35.19.(e)** Effective July 1, 2018, the maximum annual employer
 19 contributions, payable monthly, by the State for each covered employee or retiree for the
 20 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i)
 21 Medicare-eligible employees and retirees – four thousand seven hundred forty-three dollars
 22 (\$4,743) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred four
 23 dollars (\$6,104).

24
 25 **ACCOUNT FOR THE IMPACT OF FUTURE BENEFITS ON TEACHERS' AND**
 26 **STATE EMPLOYEES' RETIREMENT SYSTEM**

27 **SECTION 35.20.(a)** G.S. 135-8 is amended by adding a new subsection to read:

28 "(h1) Present Value of Future Benefits. – Notwithstanding subsections (d) and (g) of this
 29 section, the contributions to the Pension Accumulation Fund shall include a rate per centum of
 30 the total annual compensation of all members equal to the additional present value of future
 31 benefits related to any pension benefit enhancement or special annual leave bonus granted in
 32 the current fiscal year divided by expected current fiscal year compensation. This additional
 33 present value of future benefits shall be calculated using an interest assumption rate equal to the
 34 interest assumption rate adopted under G.S. 135-6(o) minus two percent (2%)."

35 **SECTION 35.20.(b)** It is the intent of the General Assembly to create a reserve
 36 upon the initial increase in contributions pursuant to subsection (a) of this section. It is the
 37 intent of the General Assembly to appropriate funds to that reserve each time a pension benefit
 38 enhancement is made or special bonus leave is granted. The reserve shall be utilized to fund the
 39 additional liability accrued by the Teachers' and State Employees' Retirement System based
 40 upon the present value of future benefits related to the pension benefit enhancement or the
 41 special annual bonus leave granted. This additional present value of future benefits shall be
 42 calculated using an interest assumption rate equal to the interest assumption rate adopted under
 43 G.S. 135-6(o) minus two percent (2%).

44
 45 **ELIMINATE RETIREE MEDICAL FOR NEW HIRES**

46 **SECTION 35.21.(a)** G.S. 135-48.1(18) reads as rewritten:

47 "(18) Retired employee (retiree). – Retired teachers, State employees, and
 48 members of the General Assembly who (i) are receiving monthly retirement
 49 benefits from ~~any retirement system supported in whole or in part by~~
 50 ~~contributions of the State of North Carolina,~~ the Teachers' and State
 51 Employees' Retirement System, the Consolidated Judicial Retirement

1 System, the Legislative Retirement System, or the Optional Retirement
2 Programs established under G.S. 135-5.1 and G.S. 135-5.4 and (ii) earned
3 contributory retirement service in one of these retirement systems prior to
4 July 1, 2018, and did not withdraw that service, so long as the retiree is
5 enrolled."

6 **SECTION 35.21.(b)** G.S. 135-48.40 reads as rewritten:

7 **"§ 135-48.40. Categories of eligibility.**

8 (a) Noncontributory Coverage. – The following persons are eligible for coverage under
9 the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-48.43:

10 (1) ~~Retired teachers, State employees, members of the General Assembly,~~
11 Retired employees as defined in G.S. 135-48.1(18) and retired State law
12 enforcement officers who retired under the Law Enforcement Officers'
13 Retirement System prior to January 1, 1985. Except as otherwise provided in
14 this subdivision, on and after January 1, 1988, a retiring employee or retiree
15 must have completed at least five years of contributory retirement service
16 with an employing unit prior to retirement from any State-supported
17 retirement system in order to be eligible for group benefits under this Part as
18 a retired employee or retiree. For employees first hired on and after October
19 1, 2006, and members of the General Assembly first taking office on and
20 after February 1, 2007, future coverage as retired employees and retired
21 members of the General Assembly is subject to a requirement that the future
22 retiree have 20 or more years of retirement service credit in order to be
23 covered by the provisions of this subdivision.

24 ...

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

27 ...

28 (3) ~~Retired teachers, State employees, members of the General Assembly,~~
29 Retired employees as defined in G.S. 135-48.1(18) and retired State law
30 enforcement officers who retired under the Law Enforcement Officers'
31 Retirement System prior to January 1, 1985. Except as otherwise provided in
32 this subdivision, on and after January 1, 1988, a retiring employee or retiree
33 must have completed at least five years of contributory retirement service
34 with an employing unit prior to retirement from any State-supported
35 retirement system in order to be eligible for group benefits under this Part as
36 a retired employee or retiree. For employees first hired on and after October
37 1, 2006, and members of the General Assembly first taking office on and
38 after February 1, 2007, future coverage as retired employees and retired
39 members of the General Assembly is subject to a requirement that the future
40 retiree have 20 or more years of retirement service credit in order to be
41 covered by the provisions of this subdivision.

42 ...

43 (c) One-Half Contributory Coverage. – The following persons are eligible for coverage
44 under the Plan, on a one-half contributory basis, subject to the provisions of G.S. 135-48.43:

45 ...

46 (2) ~~Employees and members of the General Assembly~~Retired employees as
47 defined in G.S. 135-48.1(18) with 10 but less than 20 years of retirement
48 service credit provided the employees were first hired on or after October 1,
49 2006, and the members first took office on or after February 1, 2007. For
50 such future retirees, the State shall pay fifty percent (50%) of the Plan's total

1 employer premiums. Individual retirees shall pay the balance of the total
 2 premiums not paid by the State.
 3 (d) Fully Contributory Coverage. – The following persons shall be eligible for coverage
 4 under the Plan, on a fully contributory basis, subject to the provisions of G.S. 135-48.43:

- 5 ...
 6 (11) ~~Retired teachers, State employees, and members of the General Assembly~~
 7 Retired employees as defined in G.S. 135-48.1(18) with less than 10 years of
 8 retirement service credit, provided the teachers and State employees were
 9 first hired on or after October 1, 2006, and the members first took office on
 10 or after February 1, 2007.

11"

12 **SECTION 35.21.(c)** This section becomes effective July 1, 2018.

14 STATE TREASURER AUTHORITY OVER STATE HEALTH PLAN EMPLOYEES

15 **SECTION 35.22.** G.S. 135-48.23 reads as rewritten:

16 "§ 135-48.23. Executive Administrator.

17 (a) The Plan shall have an Executive Administrator and a Deputy Executive
 18 Administrator. The Executive Administrator and the Deputy Executive Administrator positions
 19 are exempt from the provisions of Chapter 126 of the General Statutes as provided in
 20 G.S. 126-5(c1).

21 (b) The Executive Administrator shall be appointed by the State Treasurer. The term of
 22 employment and salary of the Executive Administrator shall be set by the State Treasurer ~~after~~
 23 ~~consultation with the Board of Trustees.~~ Treasurer.

24 The Executive Administrator may be removed from office by the State Treasurer ~~after~~
 25 ~~consultation with the Board of Trustees.~~ Treasurer, and any vacancy in the office of Executive
 26 Administrator may be filled by the State Treasurer.

27 (c) ~~The Executive Administrator State Treasurer shall appoint the Deputy Executive~~
 28 ~~Administrator and may employ such clerical and professional staff, and such other assistance as~~
 29 ~~may be necessary to assist the Executive Administrator, the Board of Trustees, and the State~~
 30 ~~Treasurer in carrying out their duties and responsibilities under this Article.~~ Administrator. The
 31 term of employment and salary of the Deputy Executive Administrator shall be set by the State
 32 Treasurer. The Deputy Executive Administrator may be removed from office by the State
 33 Treasurer. Any vacancy in the office of the Deputy Executive Administrator may be filled by
 34 the State Treasurer.

35 (c1) ~~The Executive Administrator State Treasurer may designate managerial,~~
 36 ~~professional, or policy-making positions as exempt from the North Carolina Human Resources~~
 37 ~~Act. The State Treasurer may employ clerical staff, professional staff, and other assistance, as~~
 38 ~~may be necessary to assist the State Treasurer, the Executive Administrator, and the Board of~~
 39 ~~Trustees in carrying out their duties and responsibilities under this Article. The term of~~
 40 ~~employment and salaries of these employees shall be set by the State Treasurer. These~~
 41 ~~employees may be removed from their positions by the State Treasurer, and any vacancies in~~
 42 ~~these positions may be filled by the State Treasurer.~~

43 (c2) The Executive Administrator may also negotiate, renegotiate and execute contracts
 44 with third parties in the performance of the Executive Administrator's duties and
 45 responsibilities under this Article; provided any contract negotiations, renegotiations and
 46 execution with a Claims Processor, with an optional alternative comprehensive health benefit
 47 plan, or program thereunder, authorized under G.S. 135-48.2, with a preferred provider of
 48 institutional or professional hospital and medical care, or with a pharmacy benefit manager
 49 shall be done only ~~after consultation with~~ the consent of the State Treasurer.

1 (d) The Executive Administrator shall quarterly make reports and recommendations on
2 the Plan to the President Pro Tempore of the Senate and the Speaker of the House of
3 Representatives."
4

5 **MONITOR SALARY INCREASES**

6 **SECTION 35.23.(a)** The Office of State Budget and Management and the Office
7 of State Human Resources shall submit a semiannual report to the Joint Legislative
8 Commission on Governmental Operations on nonlegislative salary increases in (i) State
9 agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the
10 judicial branch; and (iii) The University of North Carolina and its constituent institutions. The
11 reports required by this section shall include the following information:

- 12 (1) For agencies reporting through the BEACON HR/Payroll system, (i) a
13 breakdown by action type (including, but not limited to, promotion,
14 reallocation, career progression, salary adjustment, and any similar actions
15 increasing employee pay) of the number and annual amount of those
16 increases and (ii) a breakdown by action reason (including in-range higher
17 level, acting pay, trainee adjustment, and other similar action reasons) of the
18 number and annual amount of those action types coded as salary adjustment.
- 19 (2) For The University of North Carolina and its constituent institutions, a
20 breakdown of the number and annual amount of those increases categorized
21 by the University as promotions, changes in job duties or responsibilities,
22 Distinguished Professorships, retention pay, career progression, and any
23 other similar actions increasing employee pay.
- 24 (3) A summary of actions taken by the Office of State Budget and Management
25 and the Office of State Human Resources with respect to unauthorized salary
26 increases.

27 **SECTION 35.23.(b)** The Legislative Services Officer shall report semiannually to
28 the President Pro Tempore of the Senate and the Speaker of the House of Representatives on
29 nonlegislative salary increases.
30

31 **UNC BOARD OF GOVERNORS TO MONITOR CREATION OF NEW POSITIONS 32 AND CERTAIN INCREASES/CONSULTATION REQUIREMENT**

33 **SECTION 35.24.** Article 1 of Chapter 116 of the General Statutes is amended by
34 adding a new section to read:

35 **"§ 116-17.3. Board of Governors monitors certain human resources actions.**

36 (a) The Board of Governors of The University of North Carolina shall monitor
37 nonlegislative annual employee salary increases in the amount of three percent (3%) or more
38 granted at constituent institutions or within the General Administration. No such salary increase
39 shall become effective unless or until it is reported to the Board by a consultation that includes
40 the justification for the increase or otherwise complies with consultation requirements adopted
41 by the Board.

42 (b) The Board of Governors of The University of North Carolina shall monitor new
43 personnel positions created at constituent institutions or within the General Administration. No
44 such new position may be filled unless or until its creation is reported to the Board by a
45 consultation that includes the justification for the new position or otherwise complies with
46 consultation requirements adopted by the Board."
47

48 **PART XXXVI. CAPITAL APPROPRIATIONS**

49 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION** 50

1 **SECTION 36.1.** The appropriations made by the 2017 General Assembly for
2 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and
3 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings
4 and land for State government purposes.

5
6 **CAPITAL APPROPRIATIONS/GENERAL FUND**

7 **SECTION 36.2.** There is appropriated from the General Fund for the 2017-2019
8 fiscal biennium the following amounts for capital improvements:

10 Capital Improvements – General Fund	2017-2018	2018-2019
11		
12 Department of Environment and Natural Resources		
13 Water Resources Development	15,648,000	–
14		
15 Department of Military and Veterans Affairs		
16 Veterans Memorial Pavilion Construction in Broadway	250,000	–
17		
18 Department of Natural and Cultural Resources		
19 NC Zoological Park Transp. Infrastructure Improvements	5,000,000	
20		
21 TOTAL CAPITAL IMPROVEMENTS –		
22 GENERAL FUND	\$20,898,000	\$0

23
24 **WATER RESOURCES DEVELOPMENT PROJECTS**

25 **SECTION 36.3.(a)** The Department of Environmental Quality shall allocate funds
26 for water resources development projects in accordance with the schedule that follows. The
27 amounts set forth in the schedule include funds appropriated in this act for water resources
28 development projects and funds carried forward from previous fiscal years in accordance with
29 subsection (b) of this section. These funds will provide a State match for an estimated fourteen
30 million eighty-five thousand dollars (\$14,085,000) in federal funds.

32 Name of Project	2017-2018
33	
34 (1) Princeville Flood Damage Reduction	\$431,000
35 (2) Carolina Beach CSDR (Next cycle plans & specs.)	300,000
36 (3) Kure Beach CSDR (Next cycle plans & specs.)	300,000
37 (4) Wrightsville Storm Damage Reduction-Constr. Cycle 12	3,000,000
38 (5) Wrightsville Storm Damage Reduction- Post-Auth. Change Report	135,000
39 (6) Planning Assistance	25,000
40 (7) Wilmington Harbor Maintenance	-
41 (8) Morehead City Harbor Maintenance	-
42 (9) Surf City/North Topsail Preconstruction Activities	218,000
43 (10) West Onslow Beach Preconstruction Activities	218,000
44 (11) NRCS EQIP	2,000,000
45 (12) State-Local Projects	1,500,000
46 (13) Eastern NC Storm Debris Removal	1,000,000
47 (14) Cape Fear River Lock & Dam/Fish Ramp Construction	840,000
48 (15) New River Storm Damage Mitigation	2,000,000
49 (16) Carolina Beach CSDR	1,158,000
50 (17) North Topsail Shoreline Protection- Phase 2	500,000
51 (18) Perquimans Marine Industrial Park	2,885,000

1	(19) Kunz Farm Park Riverwalk	250,000
2		
3	TOTALS	\$16,760,000

4
5 **SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried
6 forward from previous fiscal years be used to supplement the fifteen million six hundred
7 forty-eight thousand dollars (\$15,648,000) appropriated for water resources development
8 projects in Section 36.2 of this act. Therefore, the following funds carried forward from
9 previous fiscal years shall be used for the following projects:

10	Name of Project	Amount Carried Forward
11		
12		
13	(1) Carolina Beach CSDR (Next cycle plans & specs.)	\$50,000
14	(2) Kure Beach CSDR (Next cycle plans & specs.)	50,000
15	(3) Wrightsville Storm Damage Reduction- Constr.	700,000
16	(4) Wrightsville Storm Damage Reduction- Post-Auth. Change Report	22,000
17	(5) Planning Assistance	25,000
18	(6) Surf City/North Topsail Preconstruction Activities	135,000
19	(8) West Onslow Beach Preconstruction Activities	130,000
20		
21	TOTALS	\$1,112,000

22
23 **SECTION 36.3.(c)** Where the actual costs are different from the estimated costs
24 under subsection (a) of this section, the Department may adjust the allocations among projects
25 as needed. If any projects funded under subsection (a) of this section are delayed and the
26 budgeted State funds cannot be used during the 2017-2018 fiscal year or if the projects funded
27 under subsection (a) of this section are accomplished at a lower cost, the Department may use
28 the resulting fund availability to fund any of the following:

- 29 (1) U.S. Army Corps of Engineers project feasibility studies.
- 30 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
31 require State matching funds in the 2017-2018 fiscal year.
- 32 (3) State-local water resources development projects.

33 Funds subject to this subsection that are not expended or encumbered for the purposes set forth
34 in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of
35 the 2017-2018 fiscal year.

36 **SECTION 36.3.(d)** The Department shall submit semiannual reports on the use of
37 these funds to the Joint Legislative Oversight Committee on Agriculture and Natural and
38 Economic Resources, the Fiscal Research Division, and the Office of State Budget and
39 Management on or before March 1 and September 1. Each report shall include all of the
40 following:

- 41 (1) All projects listed in this section.
- 42 (2) The estimated cost of each project.
- 43 (3) The date that work on each project began or is expected to begin.
- 44 (4) The date that work on each project was completed or is expected to be
45 completed.
- 46 (5) The actual cost of the project.

47 The semiannual reports also shall show those projects advanced in schedule, those projects
48 delayed in schedule, and an estimate of the amount of funds expected to revert to the General
49 Fund.

50 **SECTION 36.3.(e)** Notwithstanding any provision of law to the contrary, funds
51 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 2017-2019 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. Notwithstanding any other provision of law, this subsection shall not apply to, and there shall be no local match required for, the Environmental Quality Incentives Program. Furthermore, Section 36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section 31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of the Environmental Quality Incentives Program in any fiscal year.

SECTION 36.3.(f) Notwithstanding any other provision of law, subsection (e) of this section shall not apply to, and there shall be no local or federal match required for, (i) the Perquimans Marine Industrial Park and (ii) the New River Storm Damage Mitigation.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	Amount of Non-General Fund Funding Authorized	
	FY 2017-2018	FY 2018-2019
Department of Natural and Cultural Resources		
Museum of Art- New Park and Pavilion Building	915,300	–
Wildlife Resources Commission		
Land Acquisition	7,000,000	3,000,000
Infrastructure Repair/Renovation	1,500,000	–
Setzer Hatchery Building Replacement	750,000	–
Boating Access	900,000	900,000
Setzer Hatchery Raceways Replacement	4,500,000	–
Outer Banks Education Center Air Handlers	–	300,000
Burnsville Depot	500,000	–
Butner Lab & Storage Building	500,000	–
Bolivia Depot	750,000	–
New Shooting Ranges	1,000,000	1,000,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	\$18,315,300	\$5,200,000

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2017-2018 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2018-2019 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

1 **SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for
2 the 2017-2018 fiscal year, the following allocations shall be made to the following agencies for
3 repairs and renovations pursuant to G.S. 143C-4-3:

- 4 (1) One-half of the funds shall be allocated to the Board of Governors of The
5 University of North Carolina.
- 6 (2) One-half of the funds shall be allocated to the Office of State Budget and
7 Management.

8 The Office of State Budget and Management shall consult with or report to the Joint
9 Legislative Commission on Governmental Operations, as appropriate, in accordance with
10 G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on
11 Governmental Operations in accordance with G.S. 143C-4-3(d).

12 **SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
13 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
14 portion shall be used each fiscal year by the Board of Governors for the installation of fire
15 sprinklers in University residence halls. This portion shall be in addition to funds otherwise
16 appropriated in this act for the same purpose. Such funds shall be allocated among the
17 University's constituent institutions by the President of The University of North Carolina, who
18 shall consider the following factors when allocating those funds:

- 19 (1) The safety and well-being of the residents of campus housing programs.
- 20 (2) The current level of housing rents charged to students and how that
21 compares to an institution's public peers and other UNC institutions.
- 22 (3) The level of previous authorizations to constituent institutions for the
23 construction or renovation of residence halls funded from the General Fund
24 or from bonds or certificates of participation supported by the General Fund
25 since 1996.
- 26 (4) The financial status of each constituent institution's housing system,
27 including debt capacity, debt coverage ratios, credit rankings, required
28 reserves, the planned use of cash balances for other housing system
29 improvements, and the constituent institution's ability to pay for the
30 installation of fire sprinklers in all residence halls.
- 31 (5) The total cost of each proposed project, including the cost of installing fire
32 sprinklers and the cost of other construction, such as asbestos removal and
33 additional water supply needs.

34 The Board of Governors shall submit progress reports to the Joint Legislative
35 Commission on Governmental Operations. Reports shall include the status of completed,
36 current, and planned projects. Reports also shall include information on the financial status of
37 each constituent institution's housing system, the constituent institution's ability to pay for fire
38 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be
39 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

40 **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
41 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
42 portion shall be used each fiscal year by the Board of Governors for campus public safety
43 improvements allowable under G.S. 143C-4-3(b).

44 **SECTION 36.5.(d)** In making campus allocations of funds allocated to the Board
45 of Governors of The University of North Carolina in subsection (a) of this section, the Board of
46 Governors shall negatively weight the availability of non-State resources and carryforward
47 funds available for repair and renovations and shall include information about the manner in
48 which this subsection was complied within any report submitted pursuant to G.S. 143C-4-3(d).

49 **SECTION 36.5.(e)** Notwithstanding G.S. 143C-4-3, of the funds in the Reserve for
50 Repairs and Renovations for the 2017-2018 fiscal year, the following sums shall be allocated
51 for the following projects:

- 1 (1) Three hundred thousand dollars (\$300,000) shall be allocated to
2 weatherproof Goodwin Hall and Joiner Hall at the North Carolina School for
3 the Deaf in Morganton.
- 4 (2) Four million five hundred thousand dollars (\$4,500,000) shall be allocated to
5 the Department of Natural and Cultural Resources for repair and renovation
6 projects at the North Carolina Zoological Park.
- 7 (3) Ten million dollars (\$10,000,000) shall be allocated for the comprehensive
8 renovation and repurposing of West Hall at the University of North Carolina
9 at Pembroke.
- 10 (4) One million five hundred thousand dollars (\$1,500,000) shall be allocated to
11 the Department of Public Safety to be provided to the North Carolina
12 National Guard for the demolition of Western Youth Correctional Facility.
- 13 (5) Two million dollars (\$2,000,000) shall be allocated to the Department of
14 Natural and Cultural Resources for the repairs and renovation projects
15 involving the U.S.S. North Carolina Battleship.
16

17 PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

18 **SECTION 36.6.** The appropriations made by the 2017 General Assembly for
19 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of
20 funds shall not be made by any State department, institution, or agency until an allotment has
21 been approved by the Governor as Director of the Budget. The allotment shall be approved
22 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.
23 Prior to the award of construction contracts for projects to be financed in whole or in part with
24 self-liquidating appropriations, the Director of the Budget shall approve the elements of the
25 method of financing of those projects, including the source of funds, interest rate, and
26 liquidation period. Provided, however, that if the Director of the Budget approves the method
27 of financing a project, the Director shall report that action to the Joint Legislative Commission
28 on Governmental Operations at its next meeting.

29 Where direct capital improvement appropriations include the purpose of furnishing
30 fixed and movable equipment for any project, those funds for equipment shall not be subject to
31 transfer into construction accounts except as authorized by the Director of the Budget. The
32 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
33 approved by the Director of the Budget prior to commitment of funds.

34 Capital improvement projects authorized by the 2017 General Assembly shall be
35 completed, including fixed and movable equipment and furnishings, within the limits of the
36 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
37 in this act. Capital improvement projects authorized by the 2017 General Assembly for the
38 design phase only shall be designed within the scope of the project as defined by the approved
39 cost estimate filed with the Director of the Budget, including costs associated with site
40 preparation, demolition, and movable and fixed equipment.
41

42 REPORTING ON CAPITAL PROJECTS

43 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 44 (1) Capital project. – Any capital improvement, as that term is defined in
45 G.S. 143C-1-1, that is not complete by the effective date of this section and
46 that is funded in whole or in part with State funds, including receipts,
47 non-General Fund sources, or statutorily or constitutionally authorized
48 indebtedness of any kind. This term includes only projects with a total cost
49 of one hundred thousand dollars (\$100,000) or more.

1 (2) Construction phase. – The status of a particular capital project as described
2 using the terms customarily employed in the design and construction
3 industries.

4 (3) New capital project. – A capital project that is authorized in this act or
5 subsequent to the effective date of this act.

6 **SECTION 36.7.(b)** Reporting. – The following reports are required:

7 (1) By October 1, 2017, and every six months thereafter, each State agency shall
8 report on the status of agency capital projects to the Joint Legislative
9 Commission on Governmental Operations.

10 (2) By October 1, 2017, and quarterly thereafter, each State agency shall report
11 on the status of agency capital projects to the Fiscal Research Division of the
12 General Assembly and to the Office of State Budget and Management.

13 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall
14 include at least the following information about every agency capital project:

15 (1) The current construction phase of the project.

16 (2) The anticipated time line from the current construction phase to project
17 completion.

18 (3) Information about expenditures that have been made in connection with the
19 project, regardless of source of the funds expended.

20 (4) Information about the adequacy of funding to complete the project,
21 including estimates of how final expenditures will relate to initial estimates
22 of expenditures, and whether or not scope reductions will be necessary in
23 order to complete the project within its budget.

24 (5) For new capital projects only, an estimate of the operating costs for the
25 project for the first five fiscal years of its operation.

26 **SECTION 36.7.(d)** In addition to the other reports required by this section, on
27 October 1, 2017, and every six months thereafter, the Office of State Construction shall report
28 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative
29 Commission on Governmental Operations. The report shall include (i) summary information
30 about the average length of time that passes between FCAP assessments for an average State
31 building; (ii) detailed information about when the last FCAP assessment was for each State
32 building complex; and (iii) detailed information about the condition and repairs and renovations
33 needs of each State building complex.

34 **SECTION 36.7.(e)** In addition to the other reports required by this section, on
35 October 1, 2017, and quarterly thereafter, the State Construction Office shall report to the Joint
36 Legislative Oversight Committee on Capital Improvements on the status of plan review,
37 approval, and permitting for each State capital improvement project and community college
38 capital improvement project over which the Office exercises plan review, approval, and
39 permitting authority. Each report shall include (i) summary information about the workload of
40 the Office during the previous quarter, including information about the average length of time
41 spent by the State Construction Office on each major function it performs that is related to
42 capital project approval, and (ii) detailed information about the amount of time spent engaged
43 in those functions for each project that the State Construction Office worked on during the
44 previous quarter.

45 **ZOO STATE CONSTRUCTION EXEMPTIONS**

46 **SECTION 36.8.(a)** G.S. 143-341 reads as rewritten:

47 **"§ 143-341. Powers and duties of Department.**

48 The Department of Administration has the following powers and duties:

49 ...

50 (3) Architecture and Engineering:

- 1 a. To examine and approve all plans and specifications for the
2 construction or renovation of:
- 3 1. All State buildings or buildings located on State lands, except
4 those buildings over which a local building code inspection
5 department has and exercises jurisdiction; and
6 2. All community college buildings requiring the estimated
7 expenditure for construction or repair work for which public
8 bidding is required under G.S. 143-129 prior to the awarding
9 of a contract for such work; and to examine and approve all
10 changes in those plans and specifications made after the
11 contract for such work has been awarded.
- 12 a1. To organize and schedule, within three weeks of designer selection
13 and before the design contract is let, a meeting of the stakeholders for
14 each State capital improvement project to discuss plan review
15 requirements and to define the terms of the memorandum of
16 understanding developed by the State Building Commission pursuant
17 to G.S. 143-135.26(2). The stakeholders shall include the funded
18 agency, each State agency having plan review responsibilities for the
19 project, and the selected designer. Notwithstanding the foregoing, the
20 meeting need not be scheduled if the funded agency so requests.
- 21 b. To assist, as necessary, all agencies in the preparation of requests for
22 appropriations for the construction or renovation of all State
23 buildings.
- 24 b1. To certify that a statement of needs pursuant to G.S. 143C-3-3, other
25 than for a project of The University of North Carolina for which
26 advance planning has not been completed, is feasible. For purposes
27 of this sub-subdivision, "feasible" means that the proposed project is
28 sufficiently defined in overall scope; building program; site
29 development; detailed design, construction, and equipment budgets;
30 and comprehensive project scheduling so as to reasonably ensure that
31 it may be completed with the amount of funds requested. At the
32 discretion of the General Assembly, advanced planning funds may be
33 appropriated in support of this certification. This sub-subdivision
34 shall not apply to requests for appropriations of less than one
35 hundred thousand dollars (\$100,000).
- 36 c. To supervise the letting of all contracts for the design, construction or
37 renovation of all State buildings and all community college buildings
38 whose plans and specifications must be examined and approved
39 under a.2. of this subdivision.
- 40 d. To supervise and inspect all work done and materials used in the
41 construction or renovation of all State buildings and all community
42 college buildings whose plans and specifications must be examined
43 and approved under a.2. of this subdivision; to act as the appropriate
44 official inspector or inspection department for purposes of
45 G.S. 143-143.2; and no such work may be accepted by the State or
46 by any State agency until it has been approved by the Department.
- 47 e. To require all State agencies to use existing plans and specifications
48 for construction projects, where feasible. Prior to designing a project,
49 State agencies shall consult with the Department of Administration
50 on the availability of appropriate existing plans and specifications
51 and the feasibility of using them for a project.

1 f. To provide written allocation of the deduction allowed under section
2 179D of the Code, as defined in G.S. 105-228.90, for designing
3 energy efficient commercial building property that is installed on or
4 in property owned by the State. The allocation must be made in
5 accordance with section 179D of the Code.

6 Except for sub-subdivisions b., b1., e., and f. of this subdivision, this
7 subdivision does not apply to either (i) the design, construction, or
8 renovation of projects by The University of North Carolina pursuant to G.S.
9 416-31.11.G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council
10 and the Department of Natural and Cultural Resources, with respect to
11 projects at the North Carolina Zoological Park pursuant to
12 G.S. 143B-135.214.

13"

14 **SECTION 36.8.(b)** Part 39 of Article 2 of Chapter 143B of the General Statutes is
15 amended by adding a new section to read:

16 **"§ 143B-135.214. Powers of Council and Department regarding certain fee negotiations,**
17 **contracts, and capital improvements.**

18 (a) The exception for the North Carolina Zoological Park set forth in G.S. 143-341(3)
19 shall apply only to projects requiring the estimated expenditure of public money of two million
20 dollars (\$2,000,000) or less. The Council and the Department of Natural and Cultural
21 Resources shall, with respect to the design, construction, or renovation of buildings, utilities,
22 and other property developments of the North Carolina Zoological Park that fall below that
23 threshold:

- 24 (1) Conduct the fee negotiations for all design contracts and supervise the letting
25 of all construction and design contracts.
26 (2) Develop procedures governing the responsibilities of the Council and the
27 Department to perform the duties of the Department of Administration under
28 G.S. 133-1.1(d) and G.S. 143-341(3).
29 (3) Develop procedures and reasonable limitations governing the use of
30 open-end design agreements, subject to the approval of the State Building
31 Commission.
32 (4) Use existing plans and specifications for construction projects, where
33 feasible. Prior to designing a project, the Council and the Department shall
34 consult with the Department of Administration on the availability of existing
35 plans and specifications and the feasibility of using them for a project.

36 (b) The Council and Department shall use the standard contracts for design and
37 construction currently in use for State capital improvement projects by the Office of State
38 Construction of the Department of Administration.

39 (c) A contract may not be divided for the purpose of evading the monetary limit under
40 this section.

41 (d) Notwithstanding any other provision of this Chapter, the Department of
42 Administration shall not be the awarding authority for contracts awarded pursuant to this
43 section.

44 (e) This section shall not exempt any capital improvement project from review and
45 approval as may be required by law by the entity having jurisdiction over the subject property.

46 (f) The Department shall annually report to the State Building Commission the
47 following:

- 48 (1) A list of projects governed by this section.
49 (2) The estimated cost of each project along with the actual cost.
50 (3) The name of each person awarded a contract under this section.

1 (4) Whether the person or business awarded a contract under this section meets
2 the definition of "minority business" or "minority person" as defined in
3 G.S. 143-128.2(g)."
4

5 REALIGNMENT OF DHHS CAPITAL PROJECTS

6 **SECTION 36.9.(a)** Section 23.12(e) of S.L. 2006-66, as amended by Section 2(c)
7 of S.L. 2009-209, reads as rewritten:

8 **"SECTION 23.12.(e)** In accordance with G.S. 142-83, this subsection authorizes the
9 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
10 ~~ninety eight million seven hundred eighty two thousand five hundred forty dollars~~
11 ~~(\$98,782,540)~~ninety-one million two hundred eighty-two thousand five hundred forty dollars
12 (\$91,282,540) to finance the capital facility costs of the Department of Health and Human
13 Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the
14 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
15 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
16 order to provide funds to the State to be used, together with other available funds, to pay the
17 capital facility costs of the project described in this subsection. No more than a maximum
18 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
19 may be issued or incurred under this subsection prior to July 1, 2007."

20 **SECTION 36.9.(b)** Section 23.12(f) of S.L. 2006-66, as amended by Section 2(c)
21 of S.L. 2009-209, reads as rewritten:

22 **"SECTION 23.12.(f)** In accordance with G.S. 142-83, this subsection authorizes the
23 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
24 ~~one hundred thirty eight million three hundred twenty five thousand eight hundred fourteen~~
25 ~~dollars (\$138,325,814)~~one hundred thirty-nine million three hundred twenty-five thousand
26 eight hundred fourteen dollars (\$139,325,814) to finance the capital facility costs of the Eastern
27 Regional Psychiatric Hospital for the Department of Health and Human Services. The State,
28 with the prior approval of the State Treasurer and the Council of State, as provided in Article 9
29 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
30 order to provide funds to the State to be used, together with other available funds, to pay the
31 capital facility costs of the project described in this subsection. No more than a maximum
32 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
33 may be issued or incurred under this subsection prior to July 1, 2007. No more than a
34 maximum aggregate principal amount of one hundred million dollars (\$100,000,000) of special
35 indebtedness may be issued or incurred under this subsection prior to July 1, 2008."

36 **SECTION 36.9.(c)** Section 23.12(h) of S.L. 2006-66, as amended by Section 2(c)
37 of S.L. 2009-209, reads as rewritten:

38 **"SECTION 23.12.(h)** In accordance with G.S. 142-83, this subsection authorizes the
39 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
40 ~~one hundred fifty four million seven hundred seventy two thousand eight hundred one~~
41 ~~dollars (\$154,772,801)~~one hundred sixty-one million two hundred seventy-two thousand eight hundred
42 one dollars (\$161,272,801) to finance the capital facility costs of the Western Regional
43 Psychiatric Hospital for the Department of Health and Human Services. The State, with the
44 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
45 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
46 order to provide funds to the State to be used, together with other available funds, to pay the
47 capital facility costs of the project described in this subsection. No special indebtedness may be
48 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
49 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
50 may be issued or incurred under this subsection prior to July 1, 2009. No more than a

1 maximum aggregate principal amount of fifty-four million dollars (\$54,000,000) of special
2 indebtedness may be issued or incurred under this subsection prior to July 1, 2011."
3

4 **PART XXXVII. DEPARTMENT OF INFORMATION TECHNOLOGY**

5 **GOVERNMENT DATA ANALYTICS CENTER/INFRASTRUCTURE AND** 6 **OPERATIONS**

7 **SECTION 37.1.** Of the funds appropriated in this act to the Department of
8 Information Technology, Government Data Analytics Center (GDAC), the sum of two million
9 dollars (\$2,000,000) for the 2017-2018 fiscal year and the sum of two million dollars
10 (\$2,000,000) for the 2018-2019 fiscal year shall be used to fund contract additions that support
11 GDAC infrastructure and operations improvements, including security upgrades to comply
12 with State and federal requirements, and to provide enhanced and expanded GDAC user
13 services, data storage, data integration, and system maintenance.
14
15

16 **GOVERNMENT BUDGETS TRANSPARENCY/ACCOUNTABILITY/REPORTING**

17 **SECTION 37.2.(a)** By September 1, 2017, the State Chief Information Officer, the
18 State Controller, the Office of State Budget and Management (OSBM), and the State Chief
19 Information Officer (State CIO) shall make a detailed written report to the chairs of the Joint
20 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
21 on the status of efforts to effectuate the State budget transparency Internet Web site as
22 mandated in Section 7.17 of S.L. 2015-241 to provide information on budget expenditures for
23 each State agency for each fiscal year beginning 2015-2016. Specifically, the reports shall:

- 24 (1) Include an explanation of coordination efforts with counties and local
25 education agencies to facilitate the posting of their respective local entity
26 budgetary and spending data on their respective Internet Web sites.
- 27 (2) Account for how the appropriated General Funds in the amount of eight
28 hundred fourteen thousand dollars (\$814,000) for the 2015-2016 fiscal year
29 were or were not spent toward the purposes of implementation of the
30 mandated transparency requirements.

31 **SECTION 37.2.(b)** By January 1, 2018, the Internet Web sites mandated by
32 Section 7.17 of S.L. 2015-241 must be fully functional and:

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

39 **SECTION 37.2.(c)** Of the funds appropriated to the Department of Information
40 Technology for the 2017-2019 fiscal biennium, the sum of two million dollars (\$2,000,000)
41 from the Information Technology Reserve Fund balance shall be used to implement fully the
42 government transparency initiative mandated in Section 7.17 of S.L. 2015-241, including
43 collection of all financial information from all State government agencies, public universities,
44 community colleges, counties, and local school administrative units, with the option for full
45 local government participation (with cities encouraged, but not required, to participate).

46 **SECTION 37.2.(d)** Section 7.17 of S.L. 2015-241 reads as rewritten:

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

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

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

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

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

21 "SECTION 7.17.(e) There is appropriated from the General Fund to the Office of State
22 Budget and Management the sum of eight hundred fourteen thousand dollars (\$814,000) for the
23 2015-2016 fiscal year for the purpose of implementing the provisions of this section."
24

25 DATA CENTER CONSOLIDATION

26 SECTION 37.3.(a) The consolidation of State data centers shall continue as a
27 priority for the 2017-2019 fiscal biennium, however, the Western Data Center in Rutherford
28 County and the Eastern Data Center in Wake County may not be closed or consolidated
29 without express authorization by the General Assembly.

30 SECTION 37.3.(b) Unless otherwise exempt, State agencies shall continue to use
31 the State infrastructure to host their projects, services, data, and applications, except that the
32 State Chief Information Officer may grant an exception if the State agency demonstrates any of
33 the following:

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

39 SECTION 37.3.(c) By December 1, 2017, the State Chief Information Officer shall
40 present a report on data center consolidations to the Joint Legislative Oversight Committee on
41 Information Technology and the Fiscal Research Division. On or before May 1, 2018, the State
42 Chief Information Officer shall report to the Joint Legislative Oversight Committee on
43 Information Technology and the Fiscal Research Division on the number of physical servers
44 eliminated across all departments as a result of data center consolidation and the savings
45 associated with such elimination.
46

47 DEPARTMENT OF INFORMATION TECHNOLOGY TRANSFERS/COMPLETION 48 BY DECEMBER 31, 2017

49 SECTION 37.4.(a) The transition period mandated by G.S. 143B-1325 for
50 consolidation of the State's information technology functions and personnel under the

1 Department of Information Technology ends effective December 31, 2017, except as provided
2 by subsection (d) of that section.

3 **SECTION 37.4.(b)** Effective January 1, 2018, G.S. 143B-1325 reads as rewritten:
4 "**§ 143B-1325. ~~Transition to State information technology consolidated under~~**
5 **Department of Information Technology.**

6 (a) ~~Transition Period.~~ — ~~During the 2015-2016 fiscal year, the State CIO shall work~~
7 ~~with appropriate State agencies to develop a State business plan. The State CIO shall develop~~
8 ~~documentation to support Consolidation Completed.~~ — Effective January 1, 2018, the
9 consolidation of enterprise information technology functions within the executive branch ~~to~~
10 ~~include the following:~~ is completed with the Secretary heading all of the information technology
11 functions under the Department's purview, including all of the following:

- 12 (1) Information technology architecture.
- 13 (2) ~~Updated~~ State information technology strategic plan that reflects State and
14 agency business plans and the State information technology architecture.
- 15 (3) Information technology funding process to include standardized, transparent
16 rates that reflect market costs for information technology requirements.
- 17 (4) Information technology personnel management.
- 18 (5) Information technology project management.
- 19 (6) Information technology procurement.
- 20 (7) Hardware configuration and management.
- 21 (8) Software acquisition and management.
- 22 (9) Data center operations.
- 23 (10) Network operations.
- 24 (11) System and data security, including disaster recovery.

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

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

- 34 (1) Department of Natural and Cultural Resources.
- 35 (2) Department of Health and Human Services.
- 36 (3) Department of Revenue.
- 37 (4) Department of Environmental Quality.
- 38 (5) Department of Transportation.
- 39 (6) Department of Administration.
- 40 (7) Department of Commerce.
- 41 (8) Governor's Office.
- 42 (9) Office of State Budget and Management.
- 43 (10) Office of State Human Resources.
- 44 (11) Repealed by Session Laws 2016-94, s. 7.11(a), effective July 1, 2016.
- 45 (12) Department of Military and Veterans Affairs.
- 46 (13) Department of Public Safety, with the exception of the following:
 - 47 a. State Bureau of Investigation.
 - 48 b. State Highway Patrol.
 - 49 c. Division of Emergency Management.
- 50 (14) Department of Public Instruction.

1 The State CIO shall ensure that State agencies' operations are not adversely impacted during the
2 transition under the State agency information technology consolidation.

3 (d) Report on Transition Planning. – The Community College System Office and the
4 State Board of ~~Elections~~ Elections or Bipartisan State Board of Elections and Ethics
5 Enforcement or successor entity shall work with the State CIO to plan their transition to the
6 Department. By ~~October 1, 2018,~~ March 1, 2018, these agencies, in conjunction with the State
7 CIO, shall report to the Joint Legislative Oversight Committee on Information Technology and
8 the Fiscal Research Division on their respective transition plans.

9 (e) Separate agencies may transition their information technology to the Department
10 following completion of a transition plan."
11

12 INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATES

13 **SECTION 37.5.(a)** During the 2017-2019 fiscal biennium:

14 (1) Information Technology Internal Service Fund receipts for the 2017-2018
15 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).

16 (2) Information Technology Internal Service Fund receipts for the 2018-2019
17 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).

18 Rates approved by the Office of State Budget and Management during the
19 2017-2019 fiscal biennium to support the Information Technology Internal Service Fund shall
20 be based on the fund limit set in this section.

21 Information Technology Internal Service Fund receipts may be increased for
22 specific purposes only after consultation with the Joint Legislative Commission on
23 Governmental Operations each time a requirement necessitating an increase is identified.

24 **SECTION 37.5.(b)** For the 2017-2018 fiscal year, receipts in excess of
25 requirements, including information technology equipment and fixtures, shall be maintained in
26 a separate account to be managed by the Office of State Budget and Management. The amounts
27 received shall be used for the following purposes:

28 (1) To offset agency budget shortfalls resulting from Department of Information
29 Technology rate increases.

30 (2) To offset Department of Information Technology Internal Service Fund
31 budget shortfalls, if approved by the Office of State Budget and
32 Management.

33 **SECTION 37.5.(c)** For the 2018-2019 fiscal year, budget requirements and
34 associated rates shall be developed based on actual service costs for fiscal year 2016-2017.
35 These budget requirements and associated rates shall be developed and reported to the Joint
36 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
37 by October 1, 2018.

38 **SECTION 37.5.(d)** Receipts collected for Information Technology Internal Service
39 Fund services shall only be used for the specific purposes for which they were collected and, to
40 the extent not already appropriated, are hereby appropriated for those purposes. Funds collected
41 for information technology equipment and fixtures shall be separately maintained and
42 accounted for by the Department of Information Technology, and such funds shall be used only
43 for the replacement of the fixtures and equipment for which the funds were collected.

44 **SECTION 37.5.(e)** By December 1, 2017, the Department of Information
45 Technology shall report to the Joint Legislative Oversight Committee on Information
46 Technology and the Fiscal Research Division on the development of rates and the means and
47 methods by which it is in compliance with the requirements of this section.

48 **SECTION 37.5.(f)** The State Chief Information Officer shall ensure that bills from
49 the Department of Information Technology are easily understandable and fully transparent. If a
50 State agency fails to pay its IT Internal Service Fund bill within 30 days of receipt, the Office
51 of State Budget and Management may transfer funds from the agency to fully or partially cover

1 the cost of the bill from that agency to the IT Internal Service Fund following notification of
2 the affected agency.

3 4 **ENTERPRISE RESOURCE PLANNING**

5 **SECTION 37.6.(a)** The Department of Information Technology shall collaborate
6 with the Office of State Budget and Management and the Office of State Controller to continue
7 to develop a fully consolidated statewide ERP solution. To that end, of the funds appropriated
8 in this act to the Statewide Reserves, the sum of three million dollars (\$3,000,000) for the
9 2017-2018 fiscal year, and the sum of ten million dollars (\$10,000,000) for the 2018-2019
10 fiscal year shall be allocated to the Department of Information Technology for Enterprise
11 Resource Planning (ERP) projects.

12 **SECTION 37.6.(b)** The Department of Information Technology shall annually
13 report on the progress of the ERP projects to the Joint Legislative Oversight Committee on
14 Information Technology and the Fiscal Research Division on or before January 1.

15 16 **COMMUNITY COLLEGE SYSTEM ERP DESIGN AND IMPLEMENTATION** 17 **REVISIONS**

18 **SECTION 37.7.** Section 7.10A of S.L. 2016-94 reads as rewritten:

19 **"COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION**

20 **"SECTION 7.10A.(a)** The North Carolina Community Colleges System Office, in
21 consultation with the Department of Information Technology, shall begin planning and design
22 of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a
23 minimum, student information system, core financial management, grants, human resource
24 management, and payroll. The planning and design of the ERP system may include either a
25 modernization of the current system or a replacement system. ~~A request for proposal for a~~
26 ~~replacement system implementation shall be prepared for release.~~ The North Carolina
27 Community Colleges System Office shall initiate a competitive solicitation process for
28 implementation of a replacement system no later than October 1, 2017. The North Carolina
29 Community Colleges System Office may use funds from the North Carolina Community
30 College IT Systems Budget Code 26802 to support planning and request for proposal
31 development efforts; provided, that the total amount expended for the project does not exceed
32 one million dollars (\$1,000,000). To the extent that these funds have not been appropriated for
33 the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

34 **"SECTION 7.10A.(b)** The North Carolina Community Colleges System Office shall
35 submit a preliminary report on the planning and implementation of the ERP system to the Joint
36 Legislative Oversight Committee on Information Technology on or before January 15, 2017.
37 ~~The report shall identify~~ On or before October 1, 2017, the System Office shall report on the
38 results of the planning and design effort, including at least all of the following information:

- 39 (1) Proposed sequence of functional and site implementation.
- 40 (2) A phased-in contracting plan with checkpoints to facilitate budgeting and
41 program management.
- 42 (3) The feasibility of a cloud-based component.
- 43 (4) Cost estimate for full implementation."

44 45 **PART XXXVIII. FINANCE PROVISIONS**

46 47 **LOWER PERSONAL INCOME TAX RATE**

48 **SECTION 38.1.(a)** G.S. 105-153.7(a) reads as rewritten:

49 "(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income
50 of every individual. The tax shall be levied, collected, and paid annually. The tax is ~~five and~~

1 ~~four hundred ninety nine thousandths percent (5.499%)~~ five and thirty-five hundredths percent
 2 (5.35%) of the taxpayer's North Carolina taxable income."

3 **SECTION 38.1.(b)** This section is effective for taxable years beginning on or after
 4 January 1, 2018.

5
 6 **INCREASE STANDARD DEDUCTION**

7 **SECTION 38.2.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

8 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
 9 deduct from adjusted gross income either the standard deduction amount provided in
 10 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)
 11 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as
 12 follows:

- 13 (1) Standard deduction amount. – The standard deduction amount is zero for a
 14 person who is not eligible for a standard deduction under section 63 of the
 15 Code. For all other taxpayers, the standard deduction amount is equal to the
 16 amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$17,500 <u>\$20,000</u>
Head of Household	14,000 <u>15,000</u>
Single	8,750 <u>10,000</u>
Married, filing separately	8,750 <u>10,000</u> ."

22 **SECTION 38.2.(b)** This section is effective for taxable years beginning on or after
 23 January 1, 2018.

24
 25 **MODIFY MORTGAGE DEDUCTION**

26 **SECTION 38.3.(a)** G.S. 105-153.5(a)(2) reads as rewritten:

27 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
 28 deduct from adjusted gross income either the standard deduction amount provided in
 29 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)
 30 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as
 31 follows:

- 32 ...
 33 (2) Itemized deduction amount. – An amount equal to the sum of the items listed
 34 in this subdivision. The amounts allowed under this subdivision are not
 35 subject to the overall limitation on itemized deductions under section 68 of
 36 the Code:

- 37 ...
 38 b. Mortgage Expense and Property Tax. – The amount allowed as a
 39 deduction for interest paid or accrued during the taxable year under
 40 section 163(h) of the Code with respect to any qualified residence
 41 plus the amount allowed as a deduction for property taxes paid or
 42 accrued on real estate under section 164 of the Code for that taxable
 43 year. ~~For taxable years 2014, 2015, and 2016, the amount allowed as~~
 44 ~~a deduction for interest paid or accrued during the taxable year under~~
 45 ~~section 163(h) of the Code with respect to any qualified residence~~
 46 ~~shall not include the amount for mortgage insurance premiums~~
 47 ~~treated as qualified residence interest.~~ The amount allowed under this
 48 sub-subdivision may not exceed ~~twenty thousand dollars (\$20,000).~~
 49 ~~For spouses filing as married filing separately or married filing~~
 50 ~~jointly, the total mortgage interest and real estate taxes claimed by~~
 51 ~~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. the amount listed in the table below based on the taxpayer's filing status:

<u>Filing Status</u>	<u>Cap Amount</u>
<u>Married, filing jointly/surviving spouse</u>	<u>\$22,000</u>
<u>Head of Household</u>	<u>16,500</u>
<u>Single</u>	<u>11,000</u>
<u>Married, filing separately</u>	<u>11,000.</u>

SECTION 38.3.(b) This section is effective for taxable years beginning on or after January 1, 2018.

CONVERT CHILD TAX CREDIT TO A DEDUCTION

SECTION 38.4.(a) G.S. 105-153.5 is amended by adding a new subsection to read: "**§ 105-153.5. Modifications to adjusted gross income.**

(a1) Child Deduction Amount. – A taxpayer who is allowed a federal child tax credit under section 24 of the Code for the taxable year is allowed a deduction under this subsection for each dependent child for whom the taxpayer is allowed the federal tax credit. The amount of the deduction is equal to the amount listed in the table below based on the taxpayer's adjusted gross income, as calculated under the Code:

<u>Filing Status</u>	<u>AGI</u>	<u>Deduction Amount</u>
<u>Married, filing jointly/ surviving spouse</u>	<u>Up to \$40,000</u>	<u>\$2,500.00</u>
	<u>Over \$40,000</u>	
	<u>Up to \$60,000</u>	<u>2,000.00</u>
	<u>Over \$60,000</u>	
	<u>Up to \$80,000</u>	<u>1,500.00</u>
	<u>Over \$80,000</u>	
	<u>Up to \$100,000</u>	<u>1,000.00</u>
	<u>Over \$100,000</u>	
<u>Head of Household</u>	<u>Up to \$120,000</u>	<u>500.00</u>
	<u>Over \$120,000</u>	<u>0</u>
	<u>Up to \$30,000</u>	<u>\$2,500.00</u>
	<u>Over \$30,000</u>	
	<u>Up to \$45,000</u>	<u>2,000.00</u>
	<u>Over \$45,000</u>	
<u>Single</u>	<u>Up to \$60,000</u>	<u>1,500.00</u>
	<u>Over \$60,000</u>	
	<u>Up to \$75,000</u>	<u>1,000.00</u>
	<u>Over \$75,000</u>	
	<u>Up to \$90,000</u>	<u>500.00</u>
	<u>Over \$90,000</u>	<u>0</u>

1		<u>Over \$20,000</u>	
2		<u>Up to \$30,000</u>	<u>2,000.00</u>
3		<u>Over \$30,000</u>	
4		<u>Up to \$40,000</u>	<u>1,500.00</u>
5		<u>Over \$40,000</u>	
6		<u>Up to \$50,000</u>	<u>1,000.00</u>
7		<u>Over \$50,000</u>	
8		<u>Up to \$60,000</u>	<u>500.00</u>
9		<u>Over \$60,000</u>	<u>0</u>
10			
11	<u>Married, filing separately</u>	<u>Up to \$20,000</u>	<u>\$2,500.00</u>
12		<u>Over \$20,000</u>	
13		<u>Up to \$30,000</u>	<u>2,000.00</u>
14		<u>Over \$30,000</u>	
15		<u>Up to \$40,000</u>	<u>1,500.00</u>
16		<u>Over \$40,000</u>	
17		<u>Up to \$50,000</u>	<u>1,000.00</u>
18		<u>Over \$50,000</u>	
19		<u>Up to \$60,000</u>	<u>500.00</u>
20		<u>Over \$60,000</u>	<u>0."</u>

21 **SECTION 38.4.(b)** G.S. 105-153.10 is repealed.

22 **SECTION 38.4.(c)** This section is effective for taxable years beginning on or after
 23 January 1, 2018.

24
 25 **LOWER CORPORATE INCOME TAX RATE**

26 **SECTION 38.5.(a)** G.S. 105-130.3 reads as rewritten:

27 "**§ 105-130.3. Corporations.**

28 A tax is imposed on the State net income of every C Corporation doing business in this
 29 State at the rate of ~~four percent (4%)~~three percent (3%). An S Corporation is not subject to the
 30 tax levied in this section."

31 **SECTION 38.5.(b)** G.S. 105-130.3, as amended by subsection (a) of this section,
 32 reads as rewritten:

33 "**§ 105-130.3. Corporations.**

34 A tax is imposed on the State net income of every C Corporation doing business in this
 35 State at the rate of ~~three percent (3%)~~two and three-quarters percent (2.75%). An S
 36 Corporation is not subject to the tax levied in this section."

37 **SECTION 38.5.(c)** G.S. 105-130.3, as amended by subsection (b) of this section,
 38 reads as rewritten:

39 "**§ 105-130.3. Corporations.**

40 A tax is imposed on the State net income of every C Corporation doing business in this
 41 State at the rate of ~~two and three-quarters percent (2.75%)~~two and one-half percent (2.5%). An
 42 S Corporation is not subject to the tax levied in this section."

43 **SECTION 38.5.(d)** G.S. 105-130.3C is repealed.

44 **SECTION 38.5.(e)** Subsection (a) of this section is effective for taxable years
 45 beginning on or after January 1, 2017. Subsection (b) of this section is effective for taxable
 46 years beginning on or after January 1, 2018. Subsection (c) of this section is effective for
 47 taxable years beginning on or after January 1, 2019. The remainder of this section is effective
 48 when this act becomes law.

49
 50 **LOWER FRANCHISE TAX FOR S CORPORATIONS**

51 **SECTION 38.6.(a)** G.S. 105-122 reads as rewritten:

1 **"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.**

2 (a) Tax Imposed. – An annual franchise or privilege tax is imposed on a corporation
3 doing business in this ~~State~~. State for the privilege of doing business in this State and for the
4 continuance of articles of incorporation or domestication of each corporation in this State. The
5 tax is determined on the basis of the books and records of the corporation as of the close of its
6 income year. A corporation subject to the tax must file a return under affirmation with the
7 Secretary at the place and in the manner prescribed by the Secretary. The return must be signed
8 by the president, vice-president, treasurer, or chief financial officer of the corporation. The
9 return is due on or before the fifteenth day of the fourth month following the end of the
10 corporation's income year.

11 ...

12 (d) ~~Tax Base and Tax Rate. – After determining the Base. – A corporation's tax base is~~
13 the greater of the following:

14 (1) ~~The proportion of its net worth as set out in subsection (c1) of this section,~~
15 ~~which amount shall not be less than fifty five percent (55%) section.~~

16 (2) Fifty-five percent (55%) of the corporation's appraised value as determined
17 for ad valorem taxation of all the real and tangible personal property in this
18 State of each corporation nor less than its State. For purposes of this
19 subdivision, the appraised value of tangible property including real estate is
20 the ad valorem valuation for the calendar year next preceding the due date of
21 the franchise tax return.

22 (3) The corporation's total actual investment in tangible property in this State,
23 every corporation taxed under this section shall annually pay to the Secretary
24 of Revenue, at the time the return is due, a franchise or privilege tax at the
25 rate of one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of
26 the total amount of net worth as provided in this section. The tax imposed in
27 this section shall not be less than two hundred dollars (\$200.00) and is for
28 the privilege of carrying on, doing business, and/or the continuance of
29 articles of incorporation or domestication of each corporation in this State.
30 Appraised value of tangible property including real estate is the ad valorem
31 valuation for the calendar year next preceding the due date of the franchise
32 tax return. The term "total State. For purposes of this subdivision, the total
33 actual investment in tangible property" as used in this section means
34 property in this State is the total original purchase price or consideration to
35 the reporting taxpayer of its tangible properties, including real estate, in this
36 State plus additions and improvements thereto less reserve for depreciation
37 as permitted for income tax purposes.

38 ...

39 (d2) Tax Rate. – For a C Corporation, as defined in G.S. 105-130.2, the tax rate is one
40 dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of the corporation's tax base as
41 determined under subsection (d) of this section. For an S Corporation, as defined in
42 G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars
43 (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section
44 and one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000) of its tax base that
45 exceeds one million dollars (\$1,000,000). In no event may the tax imposed by this section be
46 less than two hundred dollars (\$200.00).

47"

48 **SECTION 38.6.(b)** This section is effective for taxable years beginning on or after
49 January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and
50 later corporate income tax returns.

1 MARKET-BASED SOURCING

2 SECTION 38.7.(a) G.S. 105-130.4 reads as rewritten:

3 "§ 105-130.4. Allocation and apportionment of income for corporations.

4 ...

5 (l) ~~(4) The Sales Factor.~~ – The sales factor is a fraction, the numerator of which is the
6 total sales of the corporation in this State during the income year, and the denominator of which
7 is the total sales of the corporation everywhere during the income year. Notwithstanding any
8 other provision under this Part, the receipts from any casual sale of property shall be excluded
9 from both the numerator and the denominator of the sales factor. Where a corporation is not
10 taxable in another state on its apportionable income but is taxable in another state only because
11 of nonapportionable income, all sales shall be treated as having been made in this State.

12 Receipts are in this State if the taxpayer's market for the receipts is in this State. If the
13 market for a receipt cannot be determined, the state or states of assignment shall be reasonably
14 approximated. In a case in which a taxpayer cannot ascertain the state or states to which
15 receipts of a sale are to be assigned through the use of a method of reasonable approximation,
16 the receipts must be excluded from the denominator of a taxpayer's sales factor. Except as
17 otherwise provided by this section, a taxpayer's market for receipts is in this State as provided
18 below:

19 (1) In the case of sale, rental, lease, or license of real property, if and to the
20 extent the property is located in this State.

21 (2) ~~Sales of tangible personal property are in this State if the property is~~
22 ~~received in this State by the purchaser. In the case of delivery of goods by~~
23 ~~common carrier or by other means of transportation, including transportation~~
24 ~~by the purchaser, the place at which the goods are ultimately received after~~
25 ~~all transportation has been completed shall be considered as the place at~~
26 ~~which the goods are received by the purchaser. Direct delivery into this State~~
27 ~~by the taxpayer to a person or firm designated by a purchaser from within or~~
28 ~~without the State shall constitute delivery to the purchaser in this State.~~In the
29 case of rental, lease, or license of tangible personal property, if and to the
30 extent the property is located in this State.

31 (3) ~~Other sales are in this State if:~~In the case of sale of tangible personal
32 property, if and to the extent the property is received in this State by the
33 purchaser. In the case of delivery of goods by common carrier or by other
34 means of transportation, including transportation by the purchaser, the place
35 at which the goods are ultimately received after all transportation has been
36 completed is considered the place at which the goods are received by the
37 purchaser. Direct delivery into this State by the taxpayer to a person or firm
38 designated by a purchaser from within or without the State constitutes
39 delivery to the purchaser in this State.

40 a. ~~The receipts are from real or tangible personal property located in~~
41 ~~this State; or~~

42 b. ~~The receipts are from intangible property and are received from~~
43 ~~sources within this State; or~~

44 e. ~~The receipts are from services and the income-producing activities~~
45 ~~are in this State.~~

46 (4) In the case of sale of a service, if and to the extent the service is delivered to
47 a location in this State.

48 (5) In the case of intangible property that is rented, leased, or licensed, if and to
49 the extent the property is used in this State. Intangible property utilized in
50 marketing a good or service to a consumer is "used in this State" if that good
51 or service is purchased by a consumer who is in this State.

1 (6) In the case of intangible property that is sold, if and to the extent the
2 property is used in this State. A contract right, government license, or similar
3 intangible property that authorized the holder to conduct a business activity
4 in a specific geographic area is "used in this State" if the geographic area
5 includes all or part of this State. Receipts from a sale of intangible property
6 that is contingent on the productivity, use, or disposition of the intangible
7 property shall be treated as receipts from the rental, lease, or licensing of the
8 intangible property as provided under subdivision (5) of this subsection. All
9 other receipts from a sale of intangible property shall be excluded from the
10 numerator and denominator of the sales factor.

11 (11) Banks. – A bank's market for receipts is in this State as provided in
12 G.S. 105-130.4A. For purposes of this section, the term "bank" has the same meaning as
13 defined in G.S. 105-130.4A.

14 "

15 **SECTION 38.7.(b)** Part 1 of Article 4 of Chapter 105 of the General Statutes is
16 amended by adding a new section to read:

17 **"§ 105-130.4A. Market-based sourcing for banks.**

18 (a) Definitions. – The definitions in G.S. 105-130.4 apply to this section, and the
19 following definitions apply to this section:

20 (1) Bank. – Defined in G.S. 105-130.7B.

21 (2) Billing address. – The location indicated in the books and records of the
22 taxpayer on the first day of the taxable year, or on the date in the taxable
23 year when the customer relationship began, as the address where any notice,
24 statement, or billing relating to the customer's account is mailed.

25 (3) Borrower, card holder, or payor is located in this State. – A borrower, credit
26 card holder, or payor whose billing address is in this State.

27 (4) Card issuer's reimbursement fee. – The fee a taxpayer receives from a
28 merchant's bank because one of the persons to whom the taxpayer has issued
29 a credit, debit, or similar type of card has charged merchandise or services to
30 the card.

31 (5) Credit card. – A card, or other means of providing information, that entitles
32 the holder to charge the cost of purchases, or a cash advance, against a line
33 of credit.

34 (6) Debit card. – A card, or other means of providing information, that enables
35 the holder to charge the cost of purchases, or a cash withdrawal, against the
36 holder's bank account or a remaining balance on the card.

37 (7) Loan. – Any extension of credit resulting from direct negotiations between
38 the taxpayer and its customer, and/or the purchase, in whole or in part, of
39 such an extension of credit from another. The term includes participations,
40 syndications, and leases treated as loans for federal income tax purposes.

41 (8) Loan secured by real property. – A loan or other obligation of which fifty
42 percent (50%) or more of the aggregate value of the collateral used to secure
43 the loan or other obligation, when valued at fair market value as of the time
44 the original loan or obligation was incurred, was real property.

45 (9) Merchant discount. – The fee, or negotiated discount, charged to a merchant
46 by the taxpayer for the privilege of participating in a program whereby a
47 credit, debit, or similar type of card is accepted in payment for merchandise
48 or services sold to the card holder, net of any cardholder chargeback and
49 unreduced by any interchange transaction or issuer reimbursement fee paid
50 to another for charges or purchases made by its cardholder.

- 1 (10) Participation. – An extension of credit in which an undivided ownership
2 interest is held on a prorated basis in a single loan or pool of loans and
3 related collateral. In a loan participation, the credit originator initially makes
4 the loan and then subsequently resells all or a portion of it to other lenders.
5 The participation may or may not be known to the borrower.
- 6 (11) Payor. – The person who is legally responsible for making payment to the
7 taxpayer.
- 8 (12) Real property owned. – Real property (i) on which the taxpayer may claim
9 depreciation for federal income tax purposes or (ii) to which the taxpayer
10 holds legal title and on which no other person may claim depreciation for
11 federal income tax purposes or could claim depreciation if subject to federal
12 income tax. Real property does not include coin, currency, or property
13 acquired in lieu of or pursuant to a foreclosure.
- 14 (13) Syndication. – An extension of credit in which two or more persons fund and
15 each person is at risk only up to a specified percentage of the total extension
16 of credit or up to a specified dollar amount.
- 17 (14) Tangible personal property owned. – Tangible personal property (i) on
18 which the taxpayer may claim depreciation for federal income tax purposes
19 or (ii) to which the taxpayer holds legal title and on which no other person
20 may claim depreciation for federal income tax purposes could claim
21 depreciation if subject to federal income tax. Tangible personal property
22 does not include coin, currency, or property acquired in lieu of or pursuant to
23 a foreclosure.
- 24 (15) Transportation property. – Vehicles and vessels capable of moving under
25 their own power as well as any equipment or containers attached to such
26 property. Examples of transportation property include aircraft, trains, water
27 vessels, motor vehicles, rolling stock, barges, and trailers.

28 (b) General Rule. – The receipts factor of a bank is a fraction, the numerator of which is
29 the total receipts of the taxpayer in this State during the income year, and the denominator of
30 which is the total receipts of the taxpayer everywhere during the income year. The method of
31 calculating receipts for purposes of the denominator is the same as the method used in
32 determining receipts for purposes of the numerator. The receipts factor includes only those
33 receipts described herein that are apportionable income for the taxable year. Notwithstanding
34 any other provision under this Part, the receipts from the following are excluded from both the
35 numerator and the denominator of the receipts factor:

- 36 (1) Receipts from a casual sale of property.
37 (2) Receipts exempt from taxation.
38 (3) The portion of receipts realized from the sale or maturity of securities or
39 other obligations that represents a return of principal.
40 (4) Receipts in the nature of dividends subtracted under G.S. 105-130.5(b)(3a)
41 and (3b) and dividends excluded for federal tax purposes.
42 (5) The portion of receipts from financial swaps and other similar financial
43 derivatives that represent the notional principal amount that generates the
44 cash flow traded in the swap agreement.

45 (c) Receipts From the Sale, Lease, or Rental of Real Property. – The numerator of the
46 receipts factor includes receipts from the sale, lease, or rental of real property owned by the
47 taxpayer if the property is located within this State or receipts from the sublease of real
48 property if the property is located within this State.

49 (d) Receipts From the Sale, Lease, or Rental of Tangible Personal Property. – The
50 method for calculating receipts from the sale, lease, or rental of tangible personal property is as
51 follows:

1 (1) Tangible personal property. – Except as provided in subdivision (2) of this
2 subsection, the numerator of the receipts factor includes receipts from the
3 sale, lease, or rental of tangible personal property owned by the taxpayer if
4 the property is located within this State when it is first placed in service by
5 the lessee.

6 (2) Transportation property. – Receipts from the lease or rental of transportation
7 property owned by the taxpayer are included in the numerator of the receipts
8 factor to the extent that the property is used in this State. The extent an
9 aircraft will be deemed to be used in this State and the amount of receipts
10 that is to be included in the numerator of this State's receipts factor is
11 determined by multiplying all the receipts from the lease or rental of the
12 aircraft by a fraction, the numerator of which is the number of landings of
13 the aircraft in this State, and the denominator of which is the total number of
14 landings of the aircraft. If the extent of the use of any transportation property
15 within this State cannot be determined, then the property will be deemed to
16 be used wholly in the state in which the property has its principal base of
17 operations. A motor vehicle will be deemed to be used wholly in the state in
18 which it is registered.

19 (e) Interest, Fees, and Penalties From Loans Secured by Real Property. – The
20 numerator of the receipts factor includes interest, fees, and penalties from loans secured by real
21 property if the property is located within this State. If the property is located both within this
22 State and one or more other states, the receipts described in this subsection are included in the
23 numerator of the receipts factor if more than fifty percent (50%) of the fair market value of the
24 real property is located within this State. If more than fifty percent (50%) of the fair market
25 value of the real property is not located within any one state, then the receipts described in this
26 subsection are included in the numerator of the receipts factor if the borrower is located in this
27 State. The determination of whether the real property securing a loan is located within this State
28 is made as of the time the original agreement was made, and any and all subsequent
29 substitutions of collateral are disregarded.

30 (f) Interest, Fees, and Penalties From Loans Not Secured by Real Property. – The
31 numerator of the receipts factor includes interest, fees, and penalties from loans not secured by
32 real property if the borrower is located in this State.

33 (g) Net Gains From the Sale of Loans. – The numerator of the receipts factor includes
34 net gains from the sale of loans. Net gains from the sale of loans include income recorded under
35 the coupon stripping rules of section 1286 of the Code. The amount of net gains from the sale
36 of loans that is included in the numerator is determined as follows:

37 (1) Secured by real property. – The amount of net gains, but not less than zero,
38 from the sale of loans secured by real property is determined by multiplying
39 the net gains by a fraction, the numerator of which is the amount included in
40 the numerator of the receipts factor pursuant to subsection (e) of this section,
41 and the denominator of which is the total amount of interest, fees, and
42 penalties from loans secured by real property.

43 (2) Not secured by real property. – The amount of net gains, but not less than
44 zero, from the sale of loans not secured by real property is determined by
45 multiplying the net gains by a fraction, the numerator of which is the amount
46 included in the numerator of the receipts factor pursuant to subsection (f) of
47 this section, and the denominator of which is the total amount of interest,
48 fees, and penalties from loans not secured by real property.

49 (h) Receipts From Interest, Fees, and Penalties From Card Holders. – The numerator of
50 the receipts factor includes interest, fees, and penalties charged to credit, debit, or similar card
51 holders, including annual fees and overdraft fees, if the card holder is located in this State.

1 (i) Receipts From ATM Fees. – The numerator of the receipts factor includes receipts
2 from fees from the use of an ATM owned or rented by the taxpayer, if the ATM is located in
3 this State. The receipts factor includes all ATM fees that are not forwarded directly to another
4 bank. Receipts from ATM fees that are not sourced under this subsection are sourced pursuant
5 to subsection (l) of this section.

6 (j) Net Gains From the Sale of Credit Card Receivables. – The numerator of the
7 receipts factor includes net gains, but not less than zero, from the sale of credit card receivables
8 multiplied by a fraction, the numerator of which is the amount included in the numerator of the
9 receipts factor pursuant to subsection (h) of this section, and the denominator of which is the
10 taxpayer's total amount of interest, fees, and penalties charged to card holders.

11 (k) Miscellaneous Receipts. – The numerator of the receipts factor includes all of the
12 following:

13 (1) Card issuer's reimbursement fees. – Receipts from card issuer's
14 reimbursement fees if the payor is located in this State.

15 (2) Receipts from merchant's discount. – Receipts from a merchant discount if
16 the payor is located in this State.

17 (3) Loan servicing fees. – Receipts from loan servicing fees if the payor is
18 located in this State.

19 (4) Receipts from services. – Receipts from services not otherwise apportioned
20 under this section if the payor is located in this State.

21 (5) Receipts from investment assets and activities and trading assets and
22 activities. – Receipts from one or more of the following:

23 a. Interest and dividends from investment assets and activities and
24 trading assets and activities if the payor is located in this State.

25 b. Net gains and other income, but not less than zero, from investment
26 assets and activities and trading assets and activities multiplied by a
27 fraction, the numerator of which is the amount included in the
28 numerator of the receipts factor pursuant to sub-subdivision a. of this
29 subdivision, and the denominator of which is the taxpayer's total
30 amount of interest and dividends from investment assets and
31 activities and trading assets and activities.

32 (l) All Other Receipts. – All other receipts not specifically enumerated in this section
33 are included in the numerator of the receipts factor if the payor is located in this State."

34 **SECTION 38.7.(c)** As directed by Section 38.4(a) of S.L. 2016-94, the Department
35 of Revenue adopted rules regarding the implementation and administration of market-based
36 sourcing principles as if the statutory changes in that section, as set forth again in this section,
37 were law. The Department adopted rules and submitted the rules to the Rules Review
38 Commission. The Rules Review Commission approved the rules on February 16, 2017. As
39 directed by Section 38.4(b) of S.L. 2016-94, the Codifier of Rules will not enter the rules into
40 the Administrative Code until directed to do so by the General Assembly. The Codifier of
41 Rules is directed to enter the rules approved by the Rules Review Commission at its meeting on
42 February 16, 2017, into the Administrative Code.

43 **SECTION 38.7.(d)** As directed by Section 38.4(d) of S.L. 2016-94, the Utilities
44 Commission shall adjust the rates for public utilities, excluding water public utilities with less
45 than two hundred thousand dollars (\$200,000) in annual operating revenues, for the tax changes
46 in this section. Each utility shall calculate the cumulative net effect of the tax changes and file
47 the calculations with proposed rate changes to reflect the net prospective tax changes in utility
48 customer rates within 60 days of the enactment of this act. Any adjustments required to existing
49 tax assets or liabilities reflected in the utility's books and records required by the tax changes
50 shall be deferred and reflected in customer rates either in the utility's next rate case or earlier if
51 deemed appropriate by the Commission.

1 **SECTION 38.7.(e)** Subsections (a) and (b) of this section are effective for taxable
2 years beginning on or after January 1, 2018. The remainder of this section is effective when this
3 act becomes law.
4

5 **PART XXXIX. MISCELLANEOUS PROVISIONS**

6 **STATE BUDGET ACT APPLIES**

7 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the
8 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
9 this act by reference.
10

11 **COMMITTEE REPORT**

12 **SECTION 39.2.(a)** The Senate Committee on Appropriations/Base Budget Report
13 on the Base, Expansion, and Capital Budgets for Senate Bill 257, dated May 10, 2017, which
14 was distributed in the Senate and used to explain this act, shall indicate action by the General
15 Assembly on this act and shall, therefore, be used to construe this act, as provided in the State
16 Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall
17 be considered a part of this act and, as such, shall be printed as a part of the Session Laws.
18

19 **SECTION 39.2.(b)** The budget enacted by the General Assembly is for the
20 maintenance of the various departments, institutions, and other spending agencies of the State
21 for the 2017-2019 biennial budget as provided in G.S. 143C-3-5. This budget includes the
22 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).
23

24 The Director of the Budget submitted a recommended base budget to the General
25 Assembly in the Governor's Recommended Budget for the 2017-2019 fiscal biennium, dated
26 March 2017, and in the Budget Support Document for the various departments, institutions, and
27 other spending agencies of the State. The adjustments to these documents made by the General
28 Assembly are set out in the Committee Report.

29 **SECTION 39.2.(c)** The budget enacted by the General Assembly shall also be
30 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
31 appropriate legislation. In the event that there is a conflict between the line-item budget
32 certified by the Director of the Budget and the budget enacted by the General Assembly, the
33 budget enacted by the General Assembly shall prevail.

34 **REPORT BY FISCAL RESEARCH DIVISION**

35 **SECTION 39.3.** The Fiscal Research Division shall issue a report on budget
36 actions taken by the 2017 Regular Session of the General Assembly. The report shall be in the
37 form of a revision of the Committee Report adopted for Senate Bill 257 pursuant to
38 G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report
39 issued pursuant to this section to the Director of the Budget. The report shall be published on
40 the General Assembly's Internet Web site for public access.
41

42 **MOST TEXT APPLIES ONLY TO THE 2017-2019 FISCAL BIENNIUM**

43 **SECTION 39.4.** Except for statutory changes or other provisions that clearly
44 indicate an intention to have effects beyond the 2017-2019 fiscal biennium, the textual
45 provisions of this act apply only to funds appropriated for, and activities occurring during, the
46 2017-2019 fiscal biennium.
47

48 **EFFECT OF HEADINGS**

49 **SECTION 39.5.** The headings to the Parts, subparts, and sections of this act are a
50 convenience to the reader and are for reference only. The headings do not expand, limit, or
51 define the text of this act, except for effective dates referring to a Part or subpart.

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SEVERABILITY CLAUSE

SECTION 39.6. 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 39.7. Except as otherwise provided, this act becomes effective July 1, 2017.