GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

SESSION LAW 2014-100
SENATE BILL 744

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 2014."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the State Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S. 143C-1-2(b).

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are adjusted for the fiscal year ending June 30, 2015, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2014-2015 fiscal year.

Current Operations – General Fund	**2014-2015**
EDUCATION	
Community Colleges System Office	$ 24,423,804
Department of Public Instruction	58,874,986
University of North Carolina – Board of Governors	
Appalachian State University	
East Carolina University	
Academic Affairs	(620,650)
Health Affairs	
Elizabeth City State University	
Fayetteville State University	
North Carolina Agricultural and Technical State University	
North Carolina Central University	

North Carolina State University	
Academic Affairs	1,839,185
Agricultural Extension	
Agricultural Research	
University of North Carolina at Asheville	
University of North Carolina at Chapel Hill	
Academic Affairs	
Health Affairs	
Area Health Education Centers	
University of North Carolina at Charlotte	
University of North Carolina at Greensboro	
University of North Carolina at Pembroke	
University of North Carolina School of the Arts	
University of North Carolina at Wilmington	
Western Carolina University	
Winston-Salem State University	(220,272)
General Administration	
University Institutional Programs	27,592,965
Related Educational Programs	50,000
North Carolina School of Science and Mathematics	
Aid to Private Institutions	840,000
Total University of North Carolina – Board of Governors	29,481,228

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Central Management and Support	(3,396,528)
Division of Aging and Adult Services	(869,549)
Division of Blind Services/Deaf/HH	0
Division of Child Development and Early Education	(30,678,255)
Health Service Regulation	(288,000)
Division of Medical Assistance	80,429,032
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	(24,922,242)
NC Health Choice	(15,813,961)
Division of Public Health	(5,605,543)
Division of Social Services	12,206,855
Division of Vocation Rehabilitation	(575,336)
Total Health and Human Services	10,486,473

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	1,658,204
Department of Commerce	
Commerce	29,054,809
Commerce State-Aid	1,829,473
Wildlife Resources Commission	(3,313,319)
Department of Environment and Natural Resources	1,534,820
Department of Labor	(145,889)

JUSTICE AND PUBLIC SAFETY

Department of Public Safety	51,184,345
Judicial Department	7,466,820

Judicial Department – Indigent Defense	335,967
Department of Justice	(32,965,102)
GENERAL GOVERNMENT	
Department of Administration	(1,764,816)
Office of Administrative Hearings	37,818
Department of State Auditor	154,799
Office of State Controller	(202,152)
Department of Cultural Resources	
Cultural Resources	688,852
Roanoke Island Commission	(9,000)
State Board of Elections	160,815
General Assembly	462,927
Office of the Governor	
Office of the Governor	45,245
Office of State Budget and Management	(52,626)
OSBM – Reserve for Special Appropriations	155,000
Housing Finance Agency	9,830,322
Department of Insurance	(291,302)
Office of Lieutenant Governor	(3,782)
Department of Revenue	(1,517,149)
Department of Secretary of State	25,523
Department of State Treasurer	
State Treasurer	2,659,931
State Treasurer – Retirement for Fire and Rescue Squad Workers and National Guard	(1,694,768)
RESERVES, ADJUSTMENTS, AND DEBT SERVICE	
State Health Plan Contribution	(22,000,000)
Reserve for Future Benefit Needs	(56,400,000)
Information Technology Fund	7,184,488
Information Technology Reserve Fund	(11,342,418)
One North Carolina Fund	(7,144,263)
Reserve for Pending Legislation/Litigation	1,500,000
NCGA Litigation Reserve	300,000

Job Development Investment Grants (JDIG)	(15,571,684)
Disability Income Plan	(3,200,000)
Debt Service	(3,746,442)
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 78,171,937**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability statement set out in Section 2.2(a) of S.L. 2013-360 applies to the 2013-2014 fiscal year only. The General Fund availability used in adjusting the 2014-2015 budget is shown below:

	FY 2014-2015
Unappropriated Balance Remaining from FY 2013-2014	$ 323,693,704
Anticipated Undercollections from FY 2013-2014	(452,600,000)
Anticipated Reversions from FY 2013-2014	396,275,923
Less Earmarkings of Year End Fund Balance	
Savings Reserve	
Repairs and Renovations	
Beginning Unreserved Fund Balance	**267,369,627**
Revenues Based on Existing Tax Structure	**19,972,100,000**
Non-tax Revenues	
Investment Income	11,300,000
Judicial Fees	244,500,000
Disproportionate Share	109,000,000
Master Settlement Agreement	137,500,000
Other Non-Tax Revenues	195,500,000
Insurance	77,000,000
Highway Fund Transfer	215,900,000
Subtotal Non-tax Revenues	**990,700,000**
Total General Fund Availability	**21,230,169,627**
Adjustments to Availability: 2014 Session	
Transfer to Medicaid Contingency Reserve	(186,372,673)
Transfer from Cash Balances from Department of Agriculture and Consumer Services Special Funds	1,449,680
Transfer from IDF Utility Account	5,000,000
Transfer of Interest from Department of Environment and Natural Resources (DENR) Special Funds	793,095
Diversion of Funds from DENR Inspection and Maintenance Control Special Fund	3,300,000
Diversion of Funds from DENR Water and Air Account Special Fund	1,000,000
Transfer from Federal Insurance Contribution Act (FICA) Fund Cash Balance	5,255,000
Transfer from Government Data Analytics Center (GDAC) Cash Balance	1,500,000
Transfer from Blount Street Properties Fund Cash Balance	5,456,787
Transfer from E-Commerce Fund Cash Balance	2,130,000
Adjustment of Transfer from Insurance Regulatory Fund	(291,302)
Adjustment of Transfer from Treasurer's Office	2,659,931
Increase from ABC Permit Fees	9,600,000
Four-year Phaseout of Provision of Medicaid Hold Harmless	

Law Guaranteeing Counties $500,000 Benefit	5,990,000
Redirection of Funds from Gross Premiums Tax on Property Coverage Contracts to General Fund (S.L. 2014-64)	1,600,000
Sales Tax on Manufactured and Modular Homes	(4,700,000)
Piped Natural Gas Sales Tax Phase-in (S.L. 2014-39)	(2,430,000)
Subtotal Adjustments to Availability: 2014 Session	**(148,059,482)**
Revised General Fund Availability	**$ 21,082,110,145**
Less: General Fund Appropriations	**(21,082,110,145)**
Unappropriated Balance Remaining	**0**

SECTION 2.2.(b) Section 2.2(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 2.2.(c)** Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer a total of one hundred fifty million dollars ($150,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on ~~June 30, 2013, and a total of twelve million seven hundred fifty-one thousand one hundred thirty-seven dollars ($12,751,137)~~ June 30, 2013; the State Controller shall not transfer funds from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2014. This subsection becomes effective June 30, 2013. Funds transferred under this section to the Repairs and Renovations Reserve are appropriated for the 2013-2014 and 2014-2015 fiscal years and shall be used in accordance with G.S. 143C-4-3."

SECTION 2.2.(c) Section 2.2(d) of S.L. 2013-360 reads as rewritten:

"**SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of two hundred thirty-two million five hundred thirty-seven thousand nine hundred forty-two dollars ($232,537,942) from the unreserved fund balance to the Savings Reserve Account on ~~June 30, 2013, and the sum of thirty-seven million one hundred twenty-two thousand three hundred forty-six dollars ($37,122,346)~~ June 30, 2013; the State Controller shall not transfer funds from the unreserved fund balance to the Savings Reserve Account ~~on June 30, 2014. Neither of these transfers is~~ for the 2014-2015 fiscal year on June 30, 2014. The transfer for the 2013-2014 fiscal year is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2013."

SECTION 2.2.(d) Interest from the following funds shall be redirected to the General Fund:

Budget Code	Fund Code	Description
24303	2990	Marine Conservation Fund
24305	2002	Clean Water Management Trust Fund
24306	2127	Dry Cleaning Solvent Cleanup Fund
24309	2235	Parks and Recreation Trust Fund
24318	2054	Bernard Allen Drinking Water Fund
64301	6342	Water Pollution Control System Account
64305	6370	Commercial Leaking Petroleum Storage Tanks Fund
64305	6371	Noncommercial Leaking Petroleum Storage Tanks Fund
64305	6372	Inactive Hazardous Sites Fund
64305	6373	Emergency Response Fund
64305	6375	Superfund Cost Share Fund
64305	6376	Brownfield Superfund Fund
64305	6379	Inactive Hazardous Sites Fund-S1492

SECTION 2.2.(e) Notwithstanding G.S. 20-183.7(c), fees collected for electronic inspection authorizations during the 2014-2015 fiscal year that would have been credited to the I & M Air Pollution Control Account established under G.S. 143-215.3A(b1) shall be credited to the State's General Fund.

SECTION 2.2.(f) Notwithstanding G.S. 105-449.125, one million dollars ($1,000,000) of the revenue collected by the Secretary of Revenue from the motor fuel excise tax levied under Part 7 of Article 36C of Chapter 105 of the General Statutes that would otherwise be credited to the Water and Air Quality Account shall be credited to the State's General Fund.

SECTION 2.2.(g) Notwithstanding any other provision of law to the contrary, effective July 1, 2014, the following amounts shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2014-2015 fiscal year.

Budget Code	Fund Code	Description	Amount
23700	2185	Research Stations	$ 11,208
23700	2147	Plasticulture Tech Training	2,697
23704	2730	Swine Waste	206,552
24609	2568	IDF – Utility Account	5,000,000
24667	2795	Government Data Analytics Center (GDAC)	1,500,000
24100	2514	E-Commerce Reserve	2,130,000

SECTION 2.2.(h) Notwithstanding the use requirements provided in Section 2 of S.L. 2003-404, the State Controller shall transfer the sum of five million four hundred fifty-six thousand seven hundred eighty-seven dollars ($5,456,787) from the special trust fund created by S.L. 2003-404 to the General Fund to be used for the purposes expressed and allocated by this act, and the State Controller shall close the fund.

SECTION 2.2.(i) On July 1, 2014, six hundred thousand dollars ($600,000) of the unallotted and unexpended balance of the Bedding Law Account shall be transferred to the General Fund. On March 1, 2015, an additional five hundred ninety-six thousand seven hundred eighty-five dollars ($596,785) of the unallotted and unexpended balance of the Bedding Law Account shall be transferred to the General Fund.

SECTION 2.2.(j) Effective July 1, 2014, G.S. 106-435 and G.S. 106-451.27 are repealed, and the unallotted and unexpended funds in the Cotton Warehouse Fund on that date shall be transferred to the General Fund.

SECTION 2.2.(k) Funds reserved in the Medicaid Contingency Reserve established in Section 12H.38 of this act do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(l) Subsections (b) and (c) of this section become effective June 30, 2014.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Fund	2014-2015
Department of Transportation	
Administration	$ 1,949,344
Division of Highways	
Administration	0
Construction	0
Maintenance	53,407,586
Planning and Research	0
OSHA Program	(7,307)
Ferry Operations	(1,542,317)
State Aid to Municipalities	9,453,990
Intermodal Divisions	

Public Transportation	0
Aviation	(800,000)
Rail	(960,325)
Bicycle and Pedestrian	(30,043)
Governor's Highway Safety	(5,699)
Division of Motor Vehicles	(988,255)
Other State Agencies, Reserves, Transfers	7,354,812
Capital Improvements	0
Total Highway Fund Appropriations	**$ 1,984,142,286**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2013-360 is repealed. The Highway Fund availability used in adjusting the 2014-2015 fiscal year budget is shown below:

Highway Fund Availability Statement		**2014-2015**
Unreserved Fund Balance	$	12,000,000
Estimated Revenue		1,973,750,000
Adjustment to Revenue Availability:		
Motor Fuel Tax (Shallow Draft Navigation Channel Dredging Fund)		(1,677,134)
Motor Fuel Tax Refund Repeal (Taxi Cabs)		69,420
Revised Total Highway Fund Availability	**$**	**1,984,142,286**
Unappropriated Balance	**$**	**0**

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

CURRENT OPERATIONS/HIGHWAY TRUST FUND

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Trust Fund	**2014-2015**
Program Administration	($11,000,000)
Aid to Municipalities	0
Intrastate	0
Secondary Roads	0
Urban Loops	0
Mobility Fund	0
Turnpike Authority	0
Transfer to General Fund	0
Transfer to Highway Fund	0
Debt Service	0
Strategic Prioritization Funding Plan for Transportation Investments	67,993,140
Total Highway Trust Fund Appropriations	**$ 1,162,393,140**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2013-360 is repealed. The Highway Trust Fund availability used in developing the 2014-2015 fiscal year budget is shown below:

Highway Trust Fund Availability Statement	**2014-2015**
Unreserved Fund Balance	$ 0
Estimated Revenue	1,162,370,000
Adjustment to Revenue Availability:	
Motor Fuel Tax Refund Repeal (Taxi Cabs)	23,140
Total Highway Trust Fund Availability	**$ 1,162,393,140**
Unappropriated Balance	$ 0

PART V. OTHER APPROPRIATIONS

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 5.1. Section 5.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 5.4.(a)** There is appropriated from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, School Technology Fund, the sum of ~~three million dollars ($3,000,000)~~ five million dollars ($5,000,000) for the 2013-2014 fiscal year and the sum of ~~three million five hundred thousand dollars ($3,500,000)~~six million dollars ($6,000,000) for the 2014-2015 fiscal year.

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

EDUCATION LOTTERY FUNDS

SECTION 5.2.(a) Section 6.11(e) of S.L. 2013-360 reads as rewritten:

"**SECTION 6.11.(e)** The appropriations made from the Education Lottery Fund for the 2013-2015 fiscal biennium are as follows:

	FY 2013-2014	**FY 2014-2015**
Classroom Teachers	$ 220,643,188	~~$ 220,643,188~~ $254,586,185
Teacher Assistants		113,318,880
Prekindergarten Program	75,535,709	75,535,709
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
UNC Need-Based Financial Aid Forward Funding Reserve	32,530,359	~~19,130,728~~ 0
Digital Learning	11,928,735	~~11,928,735~~ 0
TOTAL APPROPRIATION	**$ 481,832,724**	**~~$ 468,433,093~~ $584,635,507**"

SECTION 5.2.(b) Section 6.11(f) of S.L. 2013-360 reads as rewritten:

"**SECTION 6.11.(f)** Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2014 fiscal ~~year.~~year or for the 2014-2015 fiscal year."

SECTION 5.2.(c) Section 6.11(g) of S.L. 2013-360 reads as rewritten:

"**SECTION 6.11.(g)** Funds appropriated for Digital Learning pursuant to subsection (e) of this section shall be used to support grants to local education agencies (LEAs) for (i) delivering educator professional development focused on using digital and other instructional technologies to provide high-quality, integrated digital teaching and learning to all students and (ii) acquiring quality digital content to enhance instruction.

Up to one million dollars ($1,000,000) for the 2013-2015 fiscal biennium may be used by the Department of Public Instruction to (i) develop a plan to transition from funding for textbooks, both traditional and digital, to funding for digital materials, including textbooks and instructional resources and (ii) provide educational resources that remain current, are aligned

with curriculum, and are effective for all learners by 2017. The plan shall also include an inventory of the infrastructure needed to support robust digital learning in public schools.

The Department of Public Instruction shall make an interim report on the implementation of this subsection to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by January 15, 2015, and a final report by August 15, 2015."

SECTION 5.2.(d) Funds appropriated for Digital Learning shall not revert at the end of the fiscal year but shall remain available until expended.

SECTION 5.2.(e) G.S. 18C-164(c) reads as rewritten:

"(c) The General Assembly shall appropriate the remaining net revenue of the Education Lottery Fund annually in the Current Operations Appropriations Act for education-related purposes, based upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal Research Division of the Legislative Services Commission. A security interest shall not be granted in funds appropriated pursuant to this subsection."

SECTION 5.2.(f) G.S. 18C-172 is repealed.

SECTION 5.2.(g) G.S. 18C-115 reads as rewritten:

"**§ 18C-115. Reports.**

The Commission shall send quarterly and annual reports on the operations of the Commission to the Governor, State Treasurer, ~~the Lottery Oversight Committee,~~ and to the General Assembly. The reports shall include complete statements of lottery revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery funds, including the occurrence of any audit."

SECTION 5.2.(h) Chapter 120 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Joint Legislative Oversight Committee on the North Carolina State Lottery.

"**§ 120-295. Creation and membership of the Joint Legislative Oversight Committee on the North Carolina State Lottery.**

(a) The Joint Legislative Oversight Committee on the North Carolina State Lottery is established. The Committee consists of 14 members as follows:

(1) Seven members of the Senate appointed by the President Pro Tempore of the Senate, at least one of whom is a member of the minority party; and

(2) Seven members of the House of Representatives appointed by the Speaker of the House of Representatives, one of whom is a member of the minority party.

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"**§ 120-296. Purpose and powers of Committee.**

(a) The Joint Legislative Oversight Committee on the North Carolina State Lottery shall examine, on a continuing basis, the operations of the North Carolina State Lottery. The Committee shall make ongoing recommendations to the General Assembly on ways to improve the operations and success of the lottery. The Committee shall do all of the following in conducting its examination of the North Carolina State Lottery:

(1) Examine the administration, budgeting, and policies of the lottery.

(2) Assess the lottery's efficiency and effectiveness.

(3) Review other state lottery policies and procedures to identify improvements and options for maximizing the transfer of lottery funds to the Education Lottery Fund.

(4) Study any other matters that the Committee considers necessary to fulfill its mandate.

"**§ 120-297. Organization of Committee.**

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on the North Carolina State Lottery. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is five members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

"**§ 120-298. Reports to Committee.**

Whenever the North Carolina State Lottery is required by law to report to the General Assembly or to any of its permanent committees or subcommittees on matters affecting the lottery, it shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on the North Carolina State Lottery."

SECTION 5.2.(i) Subsection (d) of this section becomes effective June 30, 2014. Subsection (e) of this section is effective the date this act becomes law and applies to debt authorized on or after that date.

CIVIL PENALTY AND FORFEITURE FUND

SECTION 5.3.(a) Section 5.3(a) of S.L. 2013-360 reads as rewritten:

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

	FY 2013-2014	**FY 2014-2015**
School Technology Fund	$ 18,000,000	$ 18,000,000
State Public School Fund	$163,392,921	~~$120,362,790~~$131,935,020
Total Appropriation	$181,392,921	~~$138,362,790~~$149,935,020"

SECTION 5.3.(b) Section 5.3(c) of S.L. 2013-360 is repealed.

PART VI. GENERAL PROVISIONS

APPROPRIATE ENCUMBERED GRANT FUNDS THAT ARE RETURNED TO THE STATE

SECTION 6.1. Section 5.1 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 5.1.(f)** Notwithstanding subsections (a) and (b) of this section, there is appropriated from the General Fund for the 2014-2015 fiscal year an amount equal to the amount of encumbered funds required to be spent in order to honor encumbrances of grant funds in accordance with G.S. 143C-6-23(f2)."

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

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

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

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.3. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

MAKE THE BASE BUDGET THE STARTING POINT FOR STATE AGENCY BUDGETING

SECTION 6.4.(a) G.S. 143C-1-1(d)(7a) is repealed.

SECTION 6.4.(b) G.S. 143C-1-1(d) is amended by adding a new subdivision to read:

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

…

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

a. Annualization of programs and positions.

b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.

c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.

d. Adjustments for federal payroll tax changes.

e. Rate increases in accordance with the terms of existing leases of real property.

f. Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.

g. Reconciliation of intragovernmental and intergovermental transfers.

…."

SECTION 6.4.(c) G.S. 143C-3-5 reads as rewritten:

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

…

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

(1) A Recommended State Budget setting forth goals for improving the State with recommended expenditure requirements, funding sources, and performance information for each State government program and for each proposed capital improvement. The Recommended State Budget may be presented in a format chosen by the Director, except that the Recommended State Budget shall clearly distinguish program ~~continuation~~base budget requirements, program reductions, program eliminations, program expansions, and new programs, and shall explain all proposed capital improvements in the context of the Six-Year Capital Improvements Plan and as required by G.S. 143C-8-6.

(1a) The Governor's Recommended State Budget shall include a ~~continuation~~ base budget, which shall be presented in the budget support document pursuant to subdivision (2) of this subsection.

(2) A Budget Support Document showing, for each budget code and purpose or program in State government, accounting detail corresponding to the Recommended State Budget.

a. The Budget Support Document shall employ the North Carolina Accounting System Uniform Chart of Accounts adopted by the State Controller to show both uses and sources of funds and shall display in separate parallel columns all of the following: (i) actual expenditures and receipts for the most recent fiscal year for which actual information is available, (ii) the certified budget for the preceding fiscal year, (iii) the currently authorized budget for the preceding fiscal year, (iv) program ~~continuation~~base budget requirements for each fiscal year of the biennium, (v) proposed expenditures and receipts for each fiscal year of the biennium, and (vi) proposed increases and decreases.

…

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

…."

SECTION 6.4.(d) G.S. 58-2-215(c) reads as rewritten:

"(c) Moneys appropriated by the General Assembly shall be deposited in the Fund and shall become a part of the ~~continuation~~base budget of the Department of Insurance. Such ~~continuation~~base budget amount shall equal the actual expenditures drawn from the Fund

during the prior fiscal year plus the official inflation rate designated by the Director of the Budget in the preparation of the State Budget for each ensuing fiscal year; provided that if interest income on the Fund exceeds the amount yielded by the application of the official inflation rate, such ~~continuation~~base budget amount shall be the actual expenditures drawn from the Fund. In the event the amount in the Fund exceeds two hundred fifty thousand dollars ($250,000) at the end of any fiscal year, such excess shall revert to the General Fund."

SECTION 6.4.(e) G.S. 116-30.3B(b) reads as rewritten:

"(b) It is the intent of the General Assembly that appropriations to the Board of Governors on behalf of a constituent institution not be reduced as a result of the institution's realization of energy savings. Instead, the General Assembly intends that the amount of appropriations be determined as if no energy savings had been realized. The Director of the Budget shall not decrease the recommended ~~continuation~~base budget requirements for utilities for constituent institutions by the amount of energy savings realized from implementing energy conservation measures, including savings achieved through a guaranteed energy savings contract."

SECTION 6.4.(f) G.S. 116-30.7 reads as rewritten:

"**§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.**

By October 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to ~~fund as the continuation requirement for the enrollment increase in the university system pursuant to G.S. 143C-3-5(b).~~appropriate to The University of North Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

SECTION 6.4.(g) G.S. 121-6(c) reads as rewritten:

"(c) It shall be the duty and the responsibility for the Department of Cultural Resources to edit and publish a second or new series of the most significant records of colonial North Carolina. From records which have been compiled in the North Carolina State Archives concerning the colonial period of North Carolina, a selection of the most significant documents shall be made therefrom by a skilled and competent editor. The editor shall edit, according to acceptable scholarly standards, the selected materials which shall be published in documentary volumes not to exceed approximately 700 pages each in length until full and representative published colonial records of North Carolina shall have been achieved. The number of copies of each volume to be so printed shall be determined by the Department of Cultural Resources, and such determination shall be based on the number of copies the Department can reasonably expect to sell in a period of 10 years from the date of publication. In any year during which the Department of Cultural Resources has completed a volume and has it ready for publication, the Department may include in its ~~continuation~~base budget for that year sufficient funds to pay the estimated costs of publishing the volume. In the event that the volume is not published during that year, the appropriation made, or any unencumbered balance, shall revert to the general fund."

SECTION 6.4.(h) This section becomes effective July 1, 2014, and applies beginning with the recommended State budget of the 2015-2017 fiscal biennium.

STATUTORY CHANGES RELATING TO THE HANDLING OF GRANTS TO NON-STATE ENTITIES

SECTION 6.5.(a) G.S. 143C-6-23 reads as rewritten:

"**§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.**

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

(1) ~~"Grant" and "grant funds" means~~Grant or grant funds. – State funds disbursed as a grant by a State agency; however, the terms do not include

any payment made by the Medicaid program, the State Health Plan for Teachers and State Employees, or other similar medical programs.

(2) ~~"Grantee" means a~~ Grantee. – A non-State entity that receives State funds as a grant from a State agency but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.

(3) ~~"Subgrantee" means a~~ Subgrantee. – A non-State entity that receives State funds as a grant from a grantee or from another subgrantee but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.

(4) Encumbrance. – A financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided, or other legally binding agreement. A financial obligation is not an encumbrance for purposes of this section unless it (i) is in writing and has been signed by a person or entity who has authority to legally bind the grantee or subgrantee to spend the funds or (ii) was created by the provision of goods or services to the grantee or subgrantee by a third party under circumstances that create a legally binding obligation to pay for the goods or services.

…

(d) Office of State Budget Rules Must Require Uniform Administration of State Grants. – The Office of State Budget and Management shall adopt rules to ensure the uniform administration of State grants by all grantor State agencies and grantees or subgrantees. The Office of State Budget and Management shall consult with the Office of the State Auditor and the Attorney General in establishing the rules required by this subsection. The rules shall establish policies and procedures for disbursements of State grants and for State agency oversight, monitoring, and evaluation of grantees and subgrantees. The policies and procedures shall:

…

(5) Provide for adequate oversight and monitoring to prevent the misuse of grant funds. These policies shall require each grantee and subgrantee to ensure that, for accounting purposes, State funds and interest earned on those funds remain separate and apart from other funds in the possession or control of the grantee or subgrantee.

…

(12) Provide procedures for the recovery and return to the grantor State agency of unexpended grant funds from a grantee or subgrantee ~~if~~ (i) in accordance with subsection (f1) of this section or (ii) in the event that the grantee or subgrantee is unable to fulfill the purposes of the ~~grant.~~grant for a reason not set forth in that subsection.

(d1) Required Grant Terms. – The terms of each grant shall include all of the following, which shall be deemed a part of the grant:

(1) The limitation contained in G.S. 143C-6-8 concerning the availability of appropriated funds.

(2) The relevant provisions of any legislation authorizing or governing the administration of the grant.

(3) The terms of this section.

…

(f1) Return of Grant Funds. – Except as otherwise required by federal law, a grantee or subgrantee shall return to the State all affected grant funds and interest earned on those funds if any of the following occurs:

(1) The funds are in the possession or control of a grantee and are not expended, made subject to an encumbrance, or disbursed to a subgrantee by August 31 immediately following the fiscal year in which the funds are appropriated by the General Assembly, or a different period set forth in the terms of the applicable appropriation or federal grant.

(2) The funds remain unexpended at the time that the grantee or subgrantee dissolves, ceases operations, or otherwise indicates that it does not intend to spend the funds.

(3) The Office of State Budget and Management seeks to recover the funds pursuant to subsection (f) of this act.

(f2) Use of Returned Grant Funds. – Encumbered funds returned to the State pursuant to subsection (f1) of this section by a grantee or subgrantee shall upon appropriation by the General Assembly be spent in accordance with the terms of the encumbrance. All other funds returned to the State by a grantee or subgrantee pursuant to subsection (f1) of this section shall be credited to the fund from which they were appropriated and shall remain unexpended and unencumbered until appropriated by the General Assembly. Nothing in this section shall be construed to authorize an expenditure pursuant to an unlawful encumbrance or in a manner that would violate the terms of the appropriation of the grant funds at issue.

…

(j) Use of Interest Earned on Grant Funds. – Except as otherwise required by federal law or the terms of a federal grant, interest earned on grant funds after receipt of the funds by a grantee or subgrantee shall be credited to the grantee or subgrantee and shall be used for the same purposes for which the grant or subgrant was made.

(k) Reporting by Grantees and Subgrantees That Cease Operations. – A grantee or subgrantee that intends to dissolve or cease operations shall report that decision in writing to the Office of State Budget and Management and to the Fiscal Research Division at least 30 days prior to taking that action."

SECTION 6.5.(b) This section becomes effective July 1, 2014, and applies to grants appropriated on or after that date.

STATUTORY CHANGES RELATED TO THE DISPOSITION OF SETTLEMENT FUNDS

SECTION 6.6.(a) Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-2.4A. Disposition of funds received by the State or a State agency from a settlement or other final order or judgment of the court.**

(a) Definition. – For purposes of this section, the term "settlement" means an agreement entered into by the State or a State agency, with or without a court's participation, that ends (i) a dispute, lawsuit, or part of the dispute or lawsuit or (ii) the involvement of the State or State agency in the dispute, lawsuit, or part of the dispute or lawsuit. This term includes settlement agreements, stipulation agreements, consent judgments, and consent decrees.

(b) Prohibition. – The following restrictions shall apply:

(1) Funds received by the State or a State agency from a settlement or other final order or judgment of the court shall not be transferred or expended pursuant to G.S. 143C-6-4 and shall remain unexpended until the funds are appropriated by the General Assembly. Nothing in this subdivision shall be construed to prohibit the expenditure of funds to any of the following:

a. A party, other than the State or a State agency, to the dispute or lawsuit.

b. A consumer entitled to a refund or the recovery of damages.

c. An attorney awarded attorneys' fees for representing (i) a party under sub-subdivision a. of this subdivision or (ii) a consumer under sub-subdivision b. of this subdivision.

(2) The Attorney General, any subordinate who has been delegated the authority to negotiate or approve a settlement, and any private counsel retained to represent a State agency shall have no authority to include or agree to terms or conditions in any settlement that authorizes the expenditure, transfer, or award of funds to any person or entity other than any of the following:

a. A party, other than the State or a State agency, to the dispute or lawsuit.

b. A consumer entitled to a refund or the recovery of damages.

c. An attorney awarded attorneys' fees for representing (i) a party under sub-subdivision a. of this subdivision or (ii) a consumer under sub-subdivision b. of this subdivision.

(c) Exception. – Subsections (b) and (e) of this section shall not apply to funds received by the Department of Health and Human Services to the extent those funds represent the recovery of previously expended Medicaid funds.

(d) Recommendation. – The Attorney General may provide a nonbinding written recommendation to the chairs of the Senate and House Appropriations Committees for their consideration as to what purpose the funds subject to the prohibition in subsection (b) of this section should be appropriated for.

(e) Overrealized Receipts. – Any provision of law authorizing the expenditure of overrealized receipts shall not apply to the funds referred to in subdivision (1) of subsection (b) of this section unless the language of the law specifically references this section or specifically references funds received by the State or a State agency from a settlement or other final order or judgment of the court.

(f) Required Disposition. – If the terms of a federal grant, another provision of State or federal law, or the State Constitution require a specific disposition of funds received from a settlement or other final order or judgment of the court, nothing in this section shall be construed to supersede, or authorize a deviation from, that specific disposition. Furthermore, nothing in this subsection shall be construed to abrogate the requirement that funds drawn from the State treasury be in consequence of appropriations made by law.

(g) Required Submission. – In addition to any other report or filing that may be required by law, and unless the settlement is sealed pursuant to a written order of the court in accordance with G.S. 132-1.3 or federal law, the Attorney General's Office shall submit a copy to the Legislative Library of any settlement or other final order or judgment of the court in which the State or a State agency receives funds in excess of seventy-five thousand dollars ($75,000). The submission required by this subsection shall be made within 60 days of the date (i) the settlement is entered into or (ii) the final order or judgment of the court is entered. Any information deemed confidential by State or federal law shall be redacted from the copy of the settlement or other final order or judgment of the court prior to submitting it to the Legislative Library."

SECTION 6.6.(b) This section becomes effective December 1, 2014, and applies to settlements entered into on or after that date and other final orders or judgments of the court entered on or after that date.

PILOT PROGRAM TO IMPROVE BUDGETING OF THE GENERAL FUND

SECTION 6.7.(a) Finding. – The General Assembly finds that State budgeting is more transparent when the enacted budget for any given fiscal year appropriates all State funds intended for expenditure during that fiscal year, including funds encumbered in prior fiscal years, funds carried forward from prior fiscal years pursuant to statutory authority, and unearned revenue earned in a prior fiscal year.

SECTION 6.7.(b) Review of Current Practices. **–** The Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, shall examine all of the following:

(1) How funds in the General Fund are currently accounted for, including practices relating to (i) the reversion of appropriated funds to the General Fund, (ii) the appropriation of funds to pay obligations incurred in prior fiscal years, (iii) the movement of funds into and out of special funds, and (iv) related matters.

(2) How the practices examined pursuant to subdivision (1) of this section compare with those of other states.

(3) Whether any statutory or administrative changes would improve the transparency and accounting accuracy of the General Fund.

(4) Whether the practices examined pursuant to subdivision (1) of this section comply with applicable standards of the Governmental Accounting Standards Board.

SECTION 6.7.(c) Pilot Program. **–** The Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, may establish and operate a pilot program to test measures for improving the extent to which funds that are to be spent in a given fiscal year are properly budgeted in that fiscal year. The pilot program may be subject to the following:

(1) The pilot program may include the following programs and funds:

a. Some or all of the grant programs and special funds within the Department of Environment and Natural Resources.

b. Some or all of the unexpended appropriations carried forward by The University of North Carolina pursuant to G.S. 116-30.3.
c. Any other programs and funds that are deemed to be suitable for inclusion in the pilot program.

(2) Funds and programs that are included in the pilot program may be subject to the following requirements:
a. An alternative liquidation period for encumbered funds that do not revert at the end of the 2014-2015 fiscal year under G.S. 143C-1-2(b).
b. A requirement (i) that The University of North Carolina prepare an estimate of the amount of funds it anticipates will be carried forward into the 2015-2016 fiscal year pursuant to G.S. 116-30.3 and (ii) that this estimate be submitted to the Office of State Budget and Management and to the Fiscal Research Division no later than March 1, 2015.

SECTION 6.7.(d) Report. – No later than October 1, 2015, the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, shall report the results of the review and pilot program required by this section to the chairs of the Senate Appropriations/Base Budget Committee, to the chairs of the House Appropriations Committee, and to the Director of the Budget. The report may include a recommendation to extend the pilot program for an additional fiscal year, if this is deemed desirable.

SECTION 6.7.(e) Recommendations for an Alternative Pilot Program. – If the Office of State Budget and Management and the Office of the State Controller, in consultation with the General Assembly's Fiscal Research Division, determine that the pilot program required by this section cannot be implemented, they shall report the reasons for reaching this conclusion, along with any other findings and recommendations for future action, to the chairs of the Senate Appropriations/Base Budget Committee, to the chairs of the House Appropriations Committee, and to the Director of the Budget no later than February 1, 2015. If a report is submitted pursuant to this subsection, then the pilot program required by subsection (c) of this section shall not be implemented, but the review required by subsection (b) of this section shall nonetheless be performed.

SECTION 6.7.(f) Expiration of Pilot Program. – The pilot program required by this section shall expire upon the submission of the report required by subsection (d) of this section or the submission pursuant to subsection (e) of this section stating that the pilot program cannot be implemented.

SECTION 6.7.(g) Effective Date. – This section is effective when it becomes law and applies to funds appropriated for the 2014-2015 fiscal year and subsequent fiscal years.

ORDER OF APPROPRIATIONS BILLS

SECTION 6.8. G.S. 143C-5-2 reads as rewritten:

"**§ 143C-5-2. Order of appropriations bills.**

(a) Each house of the General Assembly shall first pass its version of the Current Operations Appropriations Act on third reading and order it sent to the other chamber before placing any other appropriations bill on the calendar for second reading. This section does not apply to the following bills:

(1) An appropriations bill to respond to an emergency as defined by G.S. 166A-19.3.
(2) An appropriations bill making adjustments to the current year budget.
(3) An appropriations bill authorizing continued operations at current funding levels.
(4) In even-numbered years, an appropriations bill that contains a statement that the General Assembly does not intend to enact a Current Operations Appropriations Act that year."

(b) The provisions of subsection (a) of this section shall apply to each fiscal year of the biennium."

REPORTING ON AGENCY REORGANIZATIONS AND MOVEMENTS OF POSITIONS

SECTION 6.10. Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-12. Quarterly report on State agency reorganizations and movements of positions.**

The Office of State Budget and Management shall report quarterly to the Joint Legislative Commission on Governmental Operations and the appropriate Joint Legislative Oversight Committee on reorganizations of State agencies and movements of State agency positions. Each report submitted pursuant to this section shall include all of the following information for the previous quarter:

(1) A list of all reorganizations within State agencies or between State agencies.

(2) A list of all positions moved within a State agency or between State agencies.

(3) A statement of the purpose of each reorganization and position movement undertaken and of the legal authority under which each reorganization and position movement was made."

CONTINGENCY AND EMERGENCY FUND

SECTION 6.12. Section 6.1 of S.L. 2013-360, as amended by Section 1.4 of S.L. 2013-363, reads as rewritten:

"**SECTION 6.1.** For the 2013-2015 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order, (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act, (iii) by the State Treasurer to pay death benefits as authorized under Article 12A of Chapter 143 of the General Statutes, (iv) by the Office of the Governor for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (v) by the Industrial Commission for supplemental awards of compensation, ~~or~~ (vi) by the Department of Justice for legal ~~fees.~~fees, or (vii) for litigation expenses incurred by State agencies in defense of the State during the 2014-2015 fiscal year, in an amount not to exceed seven hundred fifty thousand dollars ($750,000), as approved by the Office of State Budget and Management.

These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies."

DEPARTMENT OF ADMINISTRATION/EUGENICS PROGRAM AMENDMENTS

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

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

(a) A claimant determined to be a qualified recipient under this Part shall receive ~~lump-sum~~ compensation in the amount determined by this subsection from funds appropriated ~~to the Department of State Treasurer~~ for these purposes. ~~Except as provided by the succeeding sentence, the amount of compensation for each qualified recipient is the sum of ten million dollars ($10,000,000) divided by the total number of qualified recipients, and all such payments shall be made on June 30, 2015. The State Treasurer shall reduce the ten million dollars ($10,000,000) by holding out a pro-rata amount per claimant for any cases in which there has not been a final determination of the claim on June 30, 2015. Payments made to persons determined to be qualified claimants after that date shall be made upon such determination, and if after final adjudication of all claims there remains a balance from the funds held out, they shall be paid pro-rata to all qualified claimants.~~A qualified recipient shall receive compensation in the form of two payments. By October 31, 2014, claimants determined by the Commission to be qualified recipients shall receive an initial payment as provided by this section. Claimants determined to be qualified recipients after that date shall receive an initial payment within 60 days of the Commission's determination. A second and final payment shall be made after the exhaustion of all appeals arising from the denial of eligibility for compensation under this Part.

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

The final payment calculation will be made by taking the balance of compensation funds remaining after the exhaustion of appeals and dividing that sum equally between the number of qualified recipients determined finally to be eligible to receive compensation. The final

payment checks shall be remitted within 90 days of the exhaustion of the last appeal. Any qualified claimant who was successful on appeal and who did not receive an initial payment shall be paid an amount equal to the initial payment amount, plus the amount from the final payment calculation.

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

(b) If any claimant shall die during the pendency of a claim, or after being determined to be a qualified recipient, any payment shall be made to the estate of the decedent.

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

(d) It is the public policy of this State that funds awarded for the compensation of sterilization victims under this Part may be used only for the purpose of benefiting victims and shall not be used to pay attorneys' fees arising from representation at the Office, before the Commission, or on appeal. The General Assembly finds that qualified recipients have suffered a unique harm that calls for a unique remedy and that there are sufficient sources of assistance and pro bono legal representation available to protect their interests. Therefore, any agreement for the acceptance of attorneys' fees is null and void unless counsel has sought and received an opinion from the North Carolina State Bar that the fee arrangement is reasonable under the Rules of Professional Conduct.

(e) All missing claim information must be postmarked to, or received by, the Office by September 23, 2014, in order to be considered.

(f) By September 30, 2014, the Office shall submit all remaining claim forms to the Commission for appropriate disposition in accordance with this Part."

SECTION 6.13.(b) G.S. 143B-426.52(a) reads as rewritten:

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

SECTION 6.13.(c) G.S. 143B-426.53(g) reads as rewritten:

"(g) If at any stage of the proceedings the claimant is determined to be a qualified recipient, the Commission shall give notice to the claimant and to the Office of ~~the State Treasurer, and the State Treasurer~~ Justice for Sterilization Victims and to the Office of State Controller. The Office of State Controller shall make payment of compensation to the qualified recipient or

SECTION 6.13.(d) Of the funds appropriated from the General Fund to the Office of Justice for Sterilization Victims, Department of Administration, the sum of one hundred thirty thousand dollars ($130,000) shall be used for the 2014-2015 fiscal year to pay the costs of administering the compensation program for sterilization victims.

SECTION 6.13.(e) Section 6.18(g) of S.L. 2013-360 reads as rewritten:

"**SECTION 6.18.(g)** Subsection (b) of this section becomes effective for taxable years beginning on or after January 1, 2015. Subsections (e) and (g) of this section are effective when this act becomes law. The remainder of this section becomes effective July 1, 2013. Except for the provisions of subsections (b) and (c) of this section, and the final adjudication of any claims under subsection (a) of this section that are pending on June 30, 2015, this section expires ~~June 30, 2015.~~June 30, 2015, and the Office of Justice for Sterilization Victims is abolished."

SECTION 6.13.(f) G.S. 108A-70.5 is amended by adding a new subsection to read:

"(f) With regard to any recipient who has received compensation pursuant to Part 30 of Article 9 of Chapter 143B of the General Statutes, the Department shall reduce the amount of any recovery it seeks from the deceased recipient's estate under this section by the amount of the resource disregard provided for in G.S. 143B-426.56(b)(1)."

USE OF CASH BALANCES TO MEET TEMPORARY CASH NEEDS

SECTION 6.14. G.S. 147-86.11(e) is amended by adding a new subdivision to read:

"(7) The State Controller may use cash reserved to the Savings Reserve Account and cash from other funds, including special funds, that is not needed temporarily to meet the cash flow needs of the General Fund, but only to the extent that this authority can be used without jeopardizing the ability of reserves or funds, including special funds, to meet their ongoing obligations. Any cash transferred from reserves or funds, including special funds, shall be fully restored by the end of the fiscal year in which the funds were transferred, and interest shall be paid on all cash transferred to the General Fund pursuant to this subdivision from interest-bearing accounts."

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND

SECTION 7.1.(a) Section 7.1 of S.L. 2013-360 reads as rewritten:

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

	FY 2013-2014	**FY 2014-2015**
General Fund Appropriation for IT Fund	$6,053,142	~~$6,055,342~~$7,108,142
General Fund Appropriation for Government Data Analytics Center	$3,000,000	~~$4,417,515~~$9,417,515
Criminal Justice Law Enforcement Automated Data System (CJLEADS)		$1,129,488
Interest	$2,200	$2,200
IT Fund Balance, June 30	$0	~~$0~~$2,200
Total Funds Available	$9,055,342	~~$10,475,057~~$17,659,545

Appropriations are made from the Information Technology Fund for the 2013-2015 fiscal biennium as follows:

Information Technology Operations		
Criminal Justice Information Network	$189,563	$189,563
Center for Geographic Information and Analysis	$495,338	$495,338
Enterprise Security Risk Management	$864,148	$864,148
Enterprise Project Management Office	$1,473,285	$1,473,285
Architecture and Engineering	$851,986	$851,986
State ~~Web Site~~Portal	$224,741	$224,741
Enterprise Licenses	$33,000	$33,000
Longitudinal Data Board		$5,000
Subtotal Information Technology Operations	$4,132,061	~~$4,132,061~~$4,137,061
Information Technology Projects		
Government Data Analytics Center	$3,000,000	~~$4,417,515~~$9,417,515
CJLEADS		$1,129,488
IT Consolidation	$1,021,081	$1,021,081
Electronic Forms/Digital Signatures	$900,000	~~$900,000~~$450,000
Enterprise Resource Planning		$1,500,000
Subtotal Information Technology Projects	$4,921,081	~~$6,338,596~~$13,518,084
Total	$9,053,142	~~$10,470,657~~$17,655,145

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

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

SECTION 7.1.(b) Funds appropriated to the Information Technology Fund for enterprise resource planning (ERP) shall be used by the State Chief Information Officer, in conjunction with the North Carolina Government Efficiency and Reform Initiative (NC GEAR) and the State Controller, to develop a strategic implementation plan for a statewide ERP. By December 15, 2014, the State Chief Information Officer shall submit the plan to the Joint Legislative Oversight Committee on Information Technology. At a minimum, the plan shall address all of the following:

(1) Project management.
(2) Project scope.
(3) Specific project requirements.
(4) Time line.
(5) Cost by State fiscal year.
(6) Potential funding sources.
(7) Quality control.
(8) Change management.
(9) Risks associated with the project.
(10) Stakeholder management.

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATE SETTING

SECTION 7.2. Section 7.2 of S.L. 2013-360 reads as rewritten:

"…

"**SECTION 7.2.(b)** IT Internal Service Fund. – For ~~each year of the 2013-2015 fiscal biennium,~~ the 2014-2015 fiscal year, receipts for the IT Internal Service Fund shall not exceed ~~one hundred ninety million dollars ($190,000,000),~~ one hundred ninety-five million dollars ($195,000,000), excluding a 60-day balance for contingencies. Rates approved by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on this fund limit. This shall include rates established for the services provided by the Government Data Analytics Center, including, but not limited to, rates for business intelligence support and master data management services. In the event the Fund exceeds the required limit, rates shall be adjusted within 30 days. In the event that an increase in receipts for the IT Internal Service Fund is required, the Office of Information Technology services may only implement the increase after consultation with the Joint Legislative Commission on Governmental Operations.

"**SECTION 7.2.(c)** Rate Setting. – By ~~October 31, 2013,~~ October 31, 2014, the State Chief Information Officer shall establish consistent, fully transparent, easily understandable rates that reflect industry standards for each service for which any agency is charged. A detailed written report explaining the rate structure shall be submitted to the Joint Legislative Commission on Governmental Operations, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. An interim written report shall be submitted by ~~July 30, 2013.~~ September 1, 2014. Overhead charges to agencies shall be consistently applied and shall reflect industry standards for the particular service. Rate increases shall require the approval of OSBM and consultation with the Joint Legislative Commission on Governmental Operations. Rate reductions may be implemented following notification of OSBM.

"**SECTION 7.2.(c1)** By October 31, 2014, the State Chief Information Officer shall establish rates for use of the Criminal Justice Law Enforcement Automated Data System (CJLEADS) by federal and private entities and users outside the State. These rates shall be reported to the Joint Legislative Oversight Committee on Information Technology.

"**SECTION 7.2.(c2)** For the 2014-2015 fiscal year, the sum of one hundred sixty-five million dollars ($165,000,000) of the funds in the IT Internal Service Fund are nonrecurring funds. Future appropriations to the IT Internal Service Fund will be dependent on the development of a fully transparent, consistent, and easy-to-understand rate structure. The proposed rate structure must be presented annually, with justifications, to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The Committee shall make funding recommendations to the chairs of the Senate and House of Representatives Committees on Appropriations.

…."

INFORMATION TECHNOLOGY RESERVE FUND

SECTION 7.3.(a) Section 7.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 7.3.(a)** Funds in the Reserve for Information Technology for the 2013-2014 fiscal year consist of the sum of twenty-eight million dollars ($28,000,000) appropriated from the General Fund. Funds in the Reserve for Information Technology for the 2014-2015 fiscal year consist of the sum of ~~thirty-one million five hundred eighty-two thousand four hundred eighty-five dollars ($31,582,485)~~ twenty million two hundred forty thousand sixty-seven dollars ($20,240,067) appropriated from the General Fund.

SECTION 7.3.(b) The Information Technology Reserve Fund shall be established in the Office of the State Chief Information Officer (CIO). It shall be interest-bearing and nonreverting. The State CIO shall follow established procedures for project approval. Appropriations are made from the Information Technology Reserve Fund for the 2013-2015 fiscal biennium as follows:

	FY 2013-2014	**FY 2014-2015**
Prepare/Focus	$ 250,000	$ 0
Plan	1,570,806	2,239,512
Build	1,507,353	~~2,882,254~~1,772,353
Remediation	1,100,000	600,000
Security	1,571,394	392,788
Network Simplification	0	4,262,453
Desktop Remediation	17,000,000	~~13,300,000~~6,250,000
Desktop Software Licenses	4,015,000	2,300,000
Operate	985,447	~~685,446~~185,446
Customer Data	0	~~1,000,000~~0
Secure Sign-On	0	~~3,350,000~~2,237,515
Innovation Center	0	0

"**SECTION 7.3.(c)** By ~~September 15, 2013,~~September 15, 2014, the State Chief Information Officer shall ~~provide a~~update the time line for completing initiatives included in the IT Reserve Fund to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. The time line shall include the dates for completion of a strategic plan, an enterprise architecture, a new business case methodology, and implementation of a new project management process. Not later than the dates specified in the time line, each of these documents shall be submitted to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division.

"**SECTION 7.3.(d)** Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the IT Reserve Fund shall be spent only as specified in this section."

SECTION 7.3.(b) Beginning October 1, 2014, the State Chief Information Officer shall submit to the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division a report on all expenditures involving funds appropriated to the Information Technology Reserve Fund.

INFORMATION TECHNOLOGY OPERATIONS

SECTION 7.4.(a) Section 7.4 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 7.4.(a1)** Unless an exception is granted in writing by the State Chief Information Officer, any new equipment purchased by State agencies to replace equipment currently housed in State agency data centers and any equipment purchased to provide new data center capabilities for State agencies shall be installed in Office of Information Technology Services data centers. Prior to purchasing any new equipment, State agencies shall coordinate with the Office of the State Chief Information Officer and the Office of Information Technology Services to ensure ITS has the capability to support planned equipment purchases."

SECTION 7.4.(b) Section 7.4(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 7.4.(c)** Restructuring Plan. – ~~The State CIO shall conduct a comprehensive review of the State's overall information technology operations, including the efficacy of existing exemptions and exceptions from unified State IT governance. Based upon this analysis, the~~ The State CIO shall ~~develop a~~ update the plan to restructure the State's IT

operations for the most effective and efficient utilization of resources and capabilities. The plan shall include identifying, documenting, and providing a framework for developing and implementing the education and training required for all State information technology personnel, including information technology contracting professionals. Each State agency, department, and institution, and The University of North Carolina, shall (i) cooperate fully with the Office of the State CIO during the review and assessment phase of restructuring plan development and (ii) provide to the State CIO all information needed to carry out the purposes of this subsection. By ~~May 1, 2014,~~ December 1, 2014, the State CIO shall present the plan to the Joint Legislative Oversight Committee on Information Technology, along with any recommended legislative proposals ~~for implementation to be considered for introduction during the 2014 Regular Session of the 2013 General Assembly.~~to the 2015 General Assembly."

TAX INFORMATION MANAGEMENT SYSTEM CHANGES

SECTION 7.5.(a) The public-private partnerships previously initiated to develop and implement the Tax Information Management Systems (TIMS) are no longer authorized. Effective July 1, 2014, all funding for the TIMS project must be appropriated by the General Assembly to the Department of Revenue for each initiative comprising the project, including all funding generated by the benefits stream.

SECTION 7.5.(b) Section 7.17 of S.L. 2013-360, as amended by Section 2.1 of S.L. 2013-363, reads as rewritten:

"**SECTION 7.17.(a)** Additional Public-Private Partnership. – The Secretary of Revenue may enter into an additional public-private arrangement in order to expand the implementation of the Tax Information Management System (TIMS). All such arrangements will terminate ~~June 30, 2018. The public-private arrangement may include terms necessary to implement additional revenue-increasing or cost-savings components if all of the following conditions are met:~~January 31, 2014.

~~(1) The funding of the project under the arrangement comes from revenue generated by or cost-savings resulting from the project.~~

~~(2) The funding of the project is dependent on increased revenue or cost-savings streams that are different from the existing benefits stream for the implementation of TIMS.~~

~~(3) The project involves additional identified initiatives that will be integrated into the TIMS solution.~~

"~~**SECTION 7.17.(b)** Contracts. Work under an additional public-private arrangement that is authorized by this section may be contracted by requests for proposals, modifications to the existing contracts, purchases using existing contracts, or other related contract vehicles.~~

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

(1) Calculation of a revenue baseline against which the increased revenue attributable to the project is measured and a cost-basis baseline against which the cost-savings resulting from the project are measured.

(2) Periodic evaluation to determine whether the baselines need to be modified based on significant measurable changes in the economic environment.

(3) Monthly calculation of increased revenue and cost-savings attributable to contracts executed under this section.

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

"**SECTION 7.17.(e)** Internal Costs. – For the 2013-2015 fiscal biennium the Department of Revenue may retain an additional sum of eight million eight hundred seventy-four thousand three hundred nineteen dollars ($8,874,319) from benefits generated for the General Fund since the beginning of the public-private partnership described under Section 6A.5(a) of S.L. 2011-145. The Department may use up to eleven million eight hundred seventy-four thousand three hundred nineteen dollars ($11,874,319) as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose.

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

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

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

(1) Details of each public-private contract.

(2) The benefits from each contract.

(3) A comprehensive forecast of the benefits of using public-private agreements to implement TIMS, the additional PDP components, and additional components authorized by this section, including cost-savings and the acceleration of the project time line.

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

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

…."

SECTION 7.5.(c) Section 6A.5 of S.L. 2011-145, as amended by Section 6A.3(j) of S.L. 2012-142 and Section 7.17(j) of S.L. 2013-360, reads as rewritten:

"…

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

The members of the Committee shall include the following:

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

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

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

"**SECTION 6A.5.(c1)** The TIMS Oversight Committee created by Section 6A.5(c) of this act shall do all of the following:

(1) Approve and monitor management performance measures.
(2) Approve project initiatives.
(3) Approve project changes.
(4) Provide project oversight.
(5) Review funding requirements and project expenditures.
(6) Provide TIMS project recommendations to the Department of Revenue and the General Assembly.
(7) Ensure Department of Revenue compliance with all applicable laws.

"**SECTION 6A.5.(c2)** Beginning August 1, 2014, and quarterly thereafter, the Department of Revenue shall submit detailed quarterly reports to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the Senate Appropriations Committee on General Government and Information Technology, the Chairs of the House Appropriations Subcommittee on General Government, the Chair of the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. At a minimum, the reports shall include all of the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.
(2) Comparison of project status to the time line, with an explanation of any differences.
(3) Any changes in project cost.
(4) Actual expenditures to date.
(5) Any variances from projected expenditures and the reasons for the variance.
(6) Any potential funding shortfalls and their impact.
(7) Any issues identified by the Department of Revenue, with a corrective action plan and a time line for resolving the issues.
(8) Impact of any issues identified on the project schedule.
(9) Impact of any issues identified on project cost.
(10) Any changes to the project scope.
(11) Any change requests submitted to project vendors and the cost of the changes."

GOVERNMENT DATA ANALYTICS CENTER/BUSINESS INTELLIGENCE

SECTION 7.6.(a) G.S. 143B-426.38A reads as rewritten:

"§ 143B-426.38A. Government Data Analytics Center; State data-sharing requirements.

…

~~(d1) Appropriations. – Of the funds appropriated to the Information Technology Fund, the sum of three million dollars ($3,000,000) for the 2013-2014 fiscal year and the sum of four~~

~~million four hundred seventeen thousand five hundred fifteen dollars ($4,417,515) for the 2014-2015 fiscal year shall be used to support the GDAC and NCFACTS. Of these funds, the sum of one million four hundred seventeen thousand five hundred fifteen dollars ($1,417,515) shall be used in each fiscal year of the 2013-2015 biennium for OSC internal costs. For fiscal year 2014-2015, of the funds generated by GDAC and NCFACTS projects and returned to the General Fund, the sum of up to five million dollars ($5,000,000) is appropriated to fund GDAC and NCFACTS, to include vendor payments. Prioritization for the expenditure of these funds shall be for State costs associated with GDAC first, then vendor costs second. Funds in the 2013-2015 fiscal year budgets for GDAC and NCFACTS shall be used solely to support the continuation for these priority project areas.~~

...

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

SECTION 7.6.(b) Of the funds appropriated to the Information Technology Fund, the sum of nine million four hundred seventeen thousand five hundred fifteen dollars ($9,417,515) for the 2014-2015 fiscal year shall be used to support the GDAC and NCFACTS. Of these funds, the sum of one million four hundred seventeen thousand five hundred fifteen dollars ($1,417,515) shall be used in each fiscal year of the 2013-2015 fiscal biennium for GDAC internal costs. An additional one million one hundred twenty-nine thousand four hundred eighty-eight dollars ($1,129,488) for the 2014-2015 fiscal year shall be used to support the Criminal Justice Law Enforcement Automated Data System. The GDAC may receive additional funding through the Information Technology Internal Service Fund. The State Chief Information Officer shall establish rates for GDAC services provided to State agencies, including rates for master data management.

INFORMATION TECHNOLOGY CONTRACTS

SECTION 7.7. Section 7.7 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 7.7.(g)** Enhance State IT Contract Expertise. – The State Chief Information Officer (State CIO), the Office of State Human Resources, the Department of Computer Science at North Carolina State University, the Schools of Government and Law at the University of North Carolina at Chapel Hill, and in the discretion of the State CIO, schools and departments at other public and private institutions of higher learning in the State, shall work jointly to create a career path for State government information technology contracting professionals that includes defined qualifications, career progression, training opportunities, and appropriate compensation. By December 1, 2014, the State CIO shall submit a detailed, fully implementable plan to create the career path for State government information technology contracting professionals to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

VEHICLE MANAGEMENT

SECTION 7.11.(a) Section 7.16(e) of S.L. 2013-360 reads as rewritten:

"**SECTION 7.16.(e)** Until ~~July 1, 2015,~~ December 31, 2015, no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately to

the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The following definitions apply in this section:

(1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.

(2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system."

SECTION 7.11.(b) If Section 7.16(e) of S.L. 2013-360 is repealed during the 2014 Session of the 2013 General Assembly, then Section 7.16 of S.L. 2013-360 is amended by adding the following new subsection:

"**SECTION 7.16.(g)** Until December 31, 2015, no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The following definitions apply in this section:

(1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.

(2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system."

USE OF MOBILE COMMUNICATIONS DEVICES

SECTION 7.12.(a) G.S. 147-33.91(a) reads as rewritten:

"(a) With respect to State agencies, the State Chief Information Officer shall exercise general coordinating authority for all telecommunications and mobile electronic communications matters relating to the internal management and operations of those agencies. In discharging that responsibility, the State Chief Information Officer, in cooperation with affected State agency heads, may:

…

(14) Monitor the use of mobile electronic communications devices within State agencies and maintain information on the following:

a. The total number of devices issued by each agency.

b. The total cost of mobile devices issued by each agency.

c. The number and cost of new devices issued.

d. The contracts used to obtain the devices."

SECTION 7.12.(b) Section 7.18 of S.L. 2013-360 is repealed.

SECTION 7.12.(c) G.S. 120-236 is repealed.

STATE PORTAL

SECTION 7.13. Section 7.22 of S.L. 2013-360, as amended by S.L. 2013-363, reads as rewritten:

"**SECTION 7.22.** The State Chief Information Officer (SCIO) shall develop a plan to implement an electronic portal that makes obtaining information, conducting online transactions, and communicating with State agencies more convenient for members of the public. The portal shall be developed using resources determined by the SCIO. The SCIO shall report to the Joint Legislative Oversight Committee on Information Technology on the details of the plan prior to implementation. The plan shall contain all of the following:

(1) A detailed description for development and implementation of the portal, to include a list of anticipated applications to be implemented during the State fiscal years of 2013-2017.

(2) A description of how the portal will be implemented, including the use of outside vendors, detailed information on vendor participation, and potential costs.

(3) Detailed information on the anticipated total cost of ownership of the portal and any applications proposed for implementation during the State fiscal

years of 2013-2017, including the amount of any payments to be made to any vendors supporting the project for each application and the portal as a whole.

(4) A funding model that limits the costs to the State.

(4a) Costs to State agencies for the portal as a whole and for each service.

(4b) Costs to access services for citizens of the State.

(5) If outsourced, a detailed, fully executable plan to return portal operations to the State, with associated ~~costs and a detailed analysis that demonstrates that it is more cost-effective to use a vendor than to develop an application internally.~~costs.

(6) A provision requiring that any fees to support the operation of the portal must be authorized by the State Chief Information Officer and reported to the Joint Legislative Oversight Committee on Information Technology."

DEPARTMENT OF TRANSPORTATION INFORMATION TECHNOLOGY MODERNIZATION

SECTION 7.14.(a) Of the funds appropriated to the Department of Transportation (DOT), the sum of twenty-two million nine hundred eleven thousand eight hundred twenty-two dollars ($22,911,822) for the 2014-2015 fiscal year is allocated for the following information technology projects and associated activities:

	FY 2014-2015
Replacement of the State Automated Driver License System (SADLS) – Project Phases 1, 2, and 3	$14,946,903
Division of Motor Vehicles Mobile Unit Replacement	$796,000
Division of Motor Vehicles Kiosk Pilot Program	$600,000
Division of Motor Vehicles Card Payment Operations & Maintenance	$1,512,919
Division of Motor Vehicles – Service-Oriented Architecture	$3,000,000
Division of Motor Vehicles Channel Strategy	$1,800,000
Division of Motor Vehicles – Web Application Development (Hearing Fee Implementation)	$256,000

SECTION 7.14.(b) Available funds shall be prioritized to expedite completion of the State Automated Driver License System modernization and replacement project. All DOT business intelligence activities, to include any planning and development, shall be implemented working through the Government Data Analytics Center. Service-oriented architecture efforts shall be coordinated in writing with the Office of the State Chief Information Officer. All DOT information technology product or service integration efforts shall be coordinated in writing with the State Information Technology Innovation Center.

SECTION 7.14.(c) By September 1, 2014, the DOT Chief Information Officer shall identify a responsible individual for each project listed above and provide those names to the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Transportation Oversight Committee.

SECTION 7.14.(d) Beginning October 1, 2014, the DOT Chief Information Officer shall submit a quarterly, written report on the status of each information technology project listed in this section to the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Transportation Oversight Committee. At a minimum, the report shall include all of the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.

(2) Comparison of project status to the time line, with an explanation of any differences.

(3) Any changes in project cost.

(4) Actual expenditures to date.

(5) Any variances from projected expenditures and the reasons for the variance.

(6) Any potential funding shortfalls and the potential impact of the funding shortfalls.

(7) Any issues identified by the DOT, with a corrective action plan and a time line for resolving the issues.

(8) Impact of any issues identified on the project schedule.

(9) Impact of any issues identified on project cost.

(10) Any changes to the project.
(11) Any change requests submitted to project vendors and the cost of those changes.

GEOGRAPHIC INFORMATION SYSTEM DATA/CONSOLIDATION/FEASIBILITY OF SELLING DATA

SECTION 7.16.(a) The State Chief Information Officer (State CIO) shall:

(1) Document Geographic Information System capabilities existing in State agencies, including, but not limited to, the Office of the State CIO, the Department of Public Safety, the Department of Transportation, and the Department of Agriculture and Consumer Services, in consultation with the Center for Geographic Information and Analysis. This requirement shall be completed by December 1, 2014, with a copy of the written analysis to be submitted to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on or before that date.
(2) Develop recommendations for consolidating GIS functions within State government. These recommendations shall be presented to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division not later than December 1, 2014.

SECTION 7.16.(b) The State CIO shall determine if there are potential markets for State GIS data. To accomplish this requirement, the State CIO shall identify any issues associated with the sale of State GIS data and, if feasible, develop a plan for selling that data. By December 1, 2014, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division on any plan developed for the sale of GIS data, or if the State CIO finds that the sale of GIS data is not feasible, the basis of that determination.

INFORMATION TECHNOLOGY SERVICES/EMPLOYEES EXEMPTED FROM CERTAIN PROVISIONS OF STATE HUMAN RESOURCES ACT

SECTION 7.17.(a) G.S. 126-5(c11) reads as rewritten:

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

…

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

SECTION 7.17.(b) This section is effective when it becomes law.

BUDGET AND REPORTING INFORMATION TECHNOLOGY EXPENDITURES

SECTION 7.18. The Office of the State Chief Information Officer shall complete implementation of a Budget and Reporting Information Technology Expenditures (BRITE) tool. By December 15, 2014, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the implementation of the BRITE tool. The report shall include the following:

(1) Initial and current implementation dates, with the reasons for any extensions.
(2) A time line of initial and current completion dates for each phase of the project.
(3) Every contract associated with the implementation, with the reason for each.
(4) An explanation of any changes to any initial contract, with the associated cost of each change.
(5) Initial and current budgets for the project.

(6) Initial and current total cost for the project, to include all associated contracts, as well as internal costs.
(7) Sources of funding for the implementation by fund code.
(8) Number of projected and actual hours to complete the effort, by phase, with the reasons for any overage.
(9) A list of system capabilities.
(10) Any capabilities required for budget development and management that are not currently available in BRITE, with an explanation of why the capability is not available, how the capability will be achieved, cost associated with adding the capability, and whether or not the capability was included in the initial contract with the BRITE vendor.
(11) Issues associated with implementation, with the cause and identified solution for each issue, as well as any additional costs resulting from the identified solution.
(12) Performance of each vendor during the project, with a list of actions taken in the event any vendor did not perform based on the terms specified in their contract.
(13) Potential for expansion of the BRITE tool to other agencies, with an explanation of why agencies would require the tool, what the associated costs would be, and any alternatives to the BRITE tool that are currently available within State agencies.

By December 15, 2014, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the implementation within the Office of Information Technology Services and the potential for expansion of the BRITE tool to other State agencies.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand seven hundred sixty-eight dollars and eleven cents ($3,768.11) per child for the 2014-2015 fiscal year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of its 2014-2015 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred thirty-nine dollars and sixty-five cents ($1,239.65) per child for the 2014-2015 fiscal year. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2014-2015 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

EXTEND THE DATE FOR SCHOOL EMPLOYEES TO QUALIFY FOR CERTAIN EDUCATION-BASED SALARY SUPPLEMENTS/JLEOC STUDY

SECTION 8.3.(a) Section 8.22 of S.L. 2013-360 reads as rewritten:

"**SECTION 8.22.** Notwithstanding Section 35.11 of this act, ~~no~~ only the following teachers ~~or~~and instructional support ~~personnel, except for certified school nurses and instructional support personnel in positions for which a master's degree is required for licensure,~~ personnel shall be paid on the "M" salary schedule or receive a salary supplement for academic preparation at the six-year degree level or at the doctoral degree level for the 2014-2015 school

~~year, unless they were paid on that salary schedule or received that salary supplement prior to the 2014-2015 school year.~~year and subsequent school years:

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

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

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

SECTION 8.3.(b) The Joint Legislative Education Oversight Committee shall study (i) the payment of salary supplements for teachers and instructional support personnel who complete a degree at the master's, six-year, or doctoral degree level and (ii) the use of State funds to provide for, in addition to base salary and other applicable local supplements, differentiated pay for classroom teachers based on a teacher's demonstrated effectiveness and additional responsibilities in advanced roles.

SECTION 8.3.(c) The Joint Legislative Education Oversight Committee shall report the results of the study required by subsection (b) of this section, including recommendations for any proposed legislative changes, to the General Assembly prior to the convening of the 2015 General Assembly.

FUNDS FOR SMALL COUNTY SCHOOL ADMINISTRATIVE UNITS

SECTION 8.4. Section 8.4 of S.L. 2013-360, as amended by Section 3.11 of S.L. 2013-363, reads as rewritten:

"**SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

…

"**SECTION 8.4.(d)** Allotment ~~Formula~~Schedule for the 2014-2015 Fiscal Year. – Except as otherwise provided in ~~subsection~~ subsections (e) and (g) of this section, for the 2014-2015 fiscal year, each eligible county school administrative unit shall receive a dollar allotment ~~equal to the product of the following:~~according to the following schedule:

~~(1) A per student funding factor, equal to the product of the following:~~

~~a. One, minus the local school administrative unit's average daily membership divided by the maximum small school system average daily membership.~~

~~b. The maximum small school system dollars per student.~~

~~(2) The average daily membership of the eligible county school administrative unit.~~

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

"**SECTION 8.4.(e)** Phase-Out Provisions for the 2014-2015 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the ~~formula~~schedule in subsection (d) of this section in the 2014-2015 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local administrative units shall be reduced in equal increments in each of the five years after the local administrative unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

Allotments for eligible local school administrative units shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2013-2014 in any fiscal year.

"~~**SECTION 8.4.(f)** Maximum Allotments for the 2014-2015 Fiscal Year. For the 2014-2015 fiscal year, the maximum small school system dollars per student shall be two thousand ninety-four dollars ($2,094).~~

…."

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 8.6. Section 8.6 of S.L. 2013-360 reads as rewritten:

"**SECTION 8.6.(a)** Notwithstanding G.S. 143C-6-4, the ~~Department of Public Instruction~~State Board of Education may, after consultation with the Office of State Budget and Management and the Fiscal Research Division, ~~reorganize,~~reorganize the Department of Public Instruction, if necessary, to implement the budget reductions ~~set out in this act.~~ for the 2013-2015 fiscal biennium. Consultation shall occur prior to requesting budgetary and personnel changes through the budget revision process. The ~~Department~~State Board shall provide a current organization chart for the Department of Public Instruction in the consultation process and shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

"**SECTION 8.6.(b)** In implementing budget reductions for the 2014-2015 fiscal year, the State Board of Education shall make no reduction to funding or positions for (i) the North Carolina Center for Advancement of Teaching and (ii) the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the Governor Morehead School, except that the State Board may, in its discretion, reduce positions that have been vacant for more than 16 months.

The State Board shall also make no reduction in funding to any of the following entities:

(1) Communities in Schools of North Carolina, Inc.

(2) Teach for America, Inc.

(3) Beginnings For Parents of Children Who Are Deaf or Hard of Hearing, Inc."

CLARIFY CARRYFORWARD FOR READING CAMPS

SECTION 8.7.(a) Section 8.16 of S.L. 2013-360 reads as rewritten:

"**SECTION 8.16.** Funds appropriated for the 2013-2015 fiscal biennium and subsequent fiscal years for ~~summer~~ reading camps as defined in G.S. 115C-83.3(9) shall not revert at the end of each fiscal year but shall remain available ~~until expended.~~for expenditure until October 31 of the subsequent fiscal year."

SECTION 8.7.(b) This section becomes effective June 30, 2014.

CARRYFORWARD FOR PANIC ALARM GRANTS

SECTION 8.8.(a) Section 8.37 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 8.37.(b1)** Funds appropriated for the award of panic alarm system grants pursuant to subsection (b) of this section shall not revert at the end of the fiscal year but shall remain available for expenditure until the end of the subsequent fiscal year."

SECTION 8.8.(b) This section becomes effective June 30, 2014.

STATE BOARD OF EDUCATION NOTIFICATION TO THE GENERAL ASSEMBLY OF FEDERAL GRANT APPLICATIONS

SECTION 8.9. G.S. 115C-12 is amended by adding a new subdivision to read:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

…

(42) To notify the General Assembly of federal grant applications. – The State Board of Education shall provide written notification to the General Assembly in accordance with G.S. 120-29.5 and to the Fiscal Research Division of its intent to apply for any federal grant prior to submitting the grant application. The notice shall include details about the grant and a brief summary of any anticipated policy implications of accepting the grant."

PROPERTY INSURANCE SYSTEM FOR CHARTER SCHOOLS

SECTION 8.10. G.S. 115C-533 reads as rewritten:

"**§ 115C-533. Duty of State Board to operate insurance system.**

The State Board of Education shall have the duty to manage and operate a system of insurance for public school property. The State Board may offer a system of property insurance to any charter schools approved pursuant to G.S. 115C-238.29D."

NC EDUCATION ENDOWMENT FUND

SECTION 8.11.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32E.

"North Carolina Education Endowment Fund.

"**§ 115C-472.16. Establishment of the North Carolina Education Endowment Fund.**

(a) There is established the North Carolina Education Endowment Fund. The Fund shall be a special fund consisting of (i) moneys credited to it under G.S. 20-81.12 from the sale of "I Support Teachers" special registration plates; (ii) proceeds of any gifts, grants, or contributions to the State that are specifically designated for inclusion in the Fund; (iii) appropriations made to it by the General Assembly; and (iv) interest accrued to it thereon. Moneys in the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly.

(b) The General Assembly shall only appropriate moneys in the North Carolina Education Endowment Fund for teacher compensation that is related directly to improving student academic outcomes in the public schools of the State."

SECTION 8.11.(b) G.S. 20-79.4(b) is amended by adding a new subdivision to read:

"(b) Types. – The Division shall issue the following types of special registration plates:

…

() I Support Teachers. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall have a gray chalkboard background with "I SUPPORT TEACHERS" written in white chalk across the top of the plate, and an image of a red apple shall be in the lower left corner with the letters "ABC" appearing in white chalk over the apple."

SECTION 8.11.(c) G.S. 20-81.12(b12) reads as rewritten:

"(b12) I Support ~~Public Schools~~ Teachers Plates. – The Division must receive 300 or more applications for ~~a~~the I Support ~~Public Schools~~ Teachers plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of I Support ~~Public Schools~~ Teachers plates to the ~~Fund for the Reduction of Class Size in Public Schools created pursuant to G.S. 115C-472.10.~~North Carolina Education Endowment Fund established pursuant to G.S. 115C-472.16."

SECTION 8.11.(d) G.S. 20-79.7 reads as rewritten:

"**§ 20-79.7. Fees for special registration plates and distribution of the fees.**

…

(a1) Fees. – All other special registration plates are subject to the regular motor vehicle registration fee in G.S. 20-87 or G.S. 20-88 plus an additional fee in the following amount:

Special Plate	Additional Fee Amount
…	
Harley Owners' Group	$20.00
I Support Teachers	$20.00
Jaycees	$20.00
…	
Special Forces Association	$20.00
~~Support Public Schools~~	~~$20.00~~
US Equine Rescue League	$20.00
…	

(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the Clean Water Management Trust Fund

(CWMTF), which is established under G.S. 113A-253, and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

Special Plate	SRPA	CCAPA	NHTF	PRTF
…				
In-State Collegiate Insignia	$10	$15	0	0
I Support Teachers	$10	$10	0	0
Jaycees	$10	$10	0	0
…				
Support Our Troops	$10	$20	0	0
~~Support Public Schools~~	~~$10~~	~~$10~~	~~0~~	~~0~~
Support Soccer	$10	$15	0	0

…."

SECTION 8.11.(e) G.S. 20-63(b1) reads as rewritten:

"(b1) The following special registration plates do not have to be a "First in Flight" plate as provided in subsection (b) of this section. The design of the plates that are not "First in Flight" plates must be developed in accordance with G.S. 20-79.4(a3). For special plates authorized in G.S. 20-79.7 on or after July 1, 2013, the Division may not issue the plate on a background under this subsection unless it receives at least 200 applications for the plate in addition to the applications required under G.S. 20-79.4 or G.S. 20-81.12.

…

(43) Mountains-to-Sea Trail, Inc.

(44) I Support Teachers."

SECTION 8.11.(f) The Revisor of Statutes is authorized to alphabetize, number, and renumber the special registration plates listed in G.S. 20-79.4(b) to ensure that all the special registration plates are listed in alphabetical order and numbered accordingly.

SECTION 8.11.(g) Article 32C of Chapter 115C of the General Statutes is repealed.

SECTION 8.11.(h) Article 9 of Subchapter I of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-269.7. Contribution of income tax refund or payment to the North Carolina Education Endowment Fund.**

Any taxpayer entitled to a refund of income taxes under Article 4 of this Chapter, or any taxpayer who desires to make a contribution, may elect to contribute all or part of the refund or may make a contribution to the North Carolina Education Endowment Fund established pursuant to G.S. 115C-472.16 to be used in accordance with that statute. The Secretary shall provide appropriate language and space on the income tax form in which to make the election or contribution. The taxpayer's election or contribution becomes irrevocable upon filing the taxpayer's income tax return for the taxable year. The Secretary shall transmit the amounts designated pursuant to this section to the State Treasurer for credit to the North Carolina Education Endowment Fund."

SECTION 8.11.(i) Funds appropriated from the General Fund to the North Carolina Education Endowment Fund, as established by this section, for the 2014-2015 fiscal year shall be used for the purpose of providing local boards of education with additional State funds to provide local programs for differentiated pay for highly effective classroom teachers. It is the intent of the General Assembly to use these funds for appropriations to local boards of education based on proposals for differentiated pay submitted by local boards of education in accordance with Section 8.41 of this act. Funds shall only be expended from the North Carolina Education Endowment Fund for differentiated pay upon an act of appropriation by the General Assembly.

SECTION 8.11.(j) Subsection (h) of this section is effective for taxable years beginning on or after January 1, 2014.

CLARIFY MILITARY SERVICE CREDIT FOR NEWLY HIRED EDUCATORS

SECTION 8.12. G.S. 115C-302.3(a) reads as rewritten:

"(a) The State Board of Education shall establish rules for awarding credit for salary purposes to principals, assistant principals, and ~~teachers~~teachers, who (i) served in the Armed Forces of the United ~~States and who~~ States; (ii) have retired or who have received an Honorable ~~Discharge.~~ Discharge; and (iii) have not been previously employed by a public school located in North Carolina. The rules shall include the following provisions:

(1) One full year of experience credit shall be awarded for each year of full-time relevant nonteaching work experience completed (i) while on active military duty in the Armed Forces of the United States and (ii) after earning a bachelor's degree.

(2) One full year of experience credit shall be awarded for each two years of full-time relevant nonteaching work experience completed (i) while on active duty in the Armed Forces of the United States and (ii) before earning a bachelor's degree.

(3) One full year of experience credit shall be awarded for every two years of full-time instructional or leadership duties while on active military duty in the Armed Forces of the United States, regardless of academic degree held while in instruction or leadership roles."

SCHOOL TRANSPORTATION FLEET MANUAL REVIEW

SECTION 8.13.(a) The Department of Public Instruction shall study and review school bus transportation maintenance issues by convening a committee of school bus transportation maintenance experts, at least half of whom shall be employees of local boards of education from around the State directly involved in the daily maintenance of school buses. The study shall specifically review the provisions of the State's School Transportation Fleet Manual. The Department shall do at least the following when conducting the review:

(1) Specify those provisions of the current manual that are required by federal law, regulation, or guideline.

(2) Determine if the procedures in the Manual, including the out-of-service criteria, can be streamlined and simplified to meet the minimum requirements of federal law, including Highway Safety Program Guideline No. 17 on Pupil Transportation Safety, and eliminate any unnecessary or unduly burdensome requirements.

(3) Determine if the current 30-day school bus inspection schedule in G.S. 115C-248 is still appropriate or should be extended.

SECTION 8.13.(b) The Department of Public Instruction shall report on the study and the results of the review, along with any recommendations for statutory changes, to the Joint Legislative Education Oversight Committee by December 15, 2014.

DRIVER EDUCATION FUNDING

SECTION 8.15.(a) Effective July 1, 2015, G.S. 20-88.1(c) is repealed.

SECTION 8.15.(b) It is the intent of the General Assembly that, beginning with the 2015-2016 fiscal year, the driver education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 shall no longer be paid out of the Highway Fund based on an annual appropriation by the General Assembly. Local boards of education shall use funds available to them, including a fee for instruction charged to students pursuant to G.S. 115C-216(g), to offer noncredit driver education courses in high schools.

SECTION 8.15.(c) G.S. 115C-216(g) reads as rewritten:

"(g) Fee for Instruction. – The local boards of education shall fund driver education courses from funds available to them and may charge each student participating in a driver education course a fee of up to ~~fifty-five~~sixty-five dollars ~~($55.00)~~($65.00) to offset the costs of providing the training and instruction."

FUNDS FOR ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE COURSES

SECTION 8.17. Section 8.27 of S.L. 2013-360 reads as rewritten:

"**BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

…

SECTION 8.27.(d) Of the funds appropriated to the Department of Public Instruction to implement the requirements of this section, ten million eight hundred thirty-one thousand one hundred eighty-four dollars ($10,831,184) for the 2014-2015 fiscal year shall be used to fund fees for testing in advanced courses and one million five hundred thousand dollars ($1,500,000) for each fiscal year shall be used by the North Carolina Advanced Placement Partnership to carry out its responsibilities as set forth in this section. Funding appropriated for professional development may be used by the State Board of Education to contract with an

independent evaluator to assess the implementation and impact of advanced course programs in North Carolina. For the purposes of this section, the term "advanced courses" means an Advanced Placement or International Baccalaureate Diploma Programme course.

If the funds appropriated for the 2014-2015 fiscal year and subsequent fiscal years are insufficient, the Department of Public Instruction may use other funds within the State Public School Fund for these purposes.

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

(1) Provide funds to local school administrative units and charter schools to pay testing fees for advanced courses for all students.

(2) Provide funds to the North Carolina Advanced Placement Partnership for professional development for teachers of Advanced Placement courses.

…."

JLEOC STUDY OF NCVPS REVENUE

SECTION 8.18.(a) The Joint Legislative Education Oversight Committee shall study the potential generation of revenue by the North Carolina Virtual Public School Program (NCVPS) by selling virtual course seats in under-subscribed courses to out-of-state students, selling training courses to in-State and out-of-state educators, and selling packages of educational materials to out-of-state education entities. The Committee shall consider issues related to authorizing NCVPS to expand as a for-profit online education provider, including intellectual property barriers, the use of public-private partnerships for expansion of marketing outside of the State, potential fiscal benefits to the State, concerns related to allowing NCVPS to enter the private commercial marketplace as an online education provider, and any other issues the Committee deems relevant.

SECTION 8.18.(b) The Joint Legislative Education Oversight Committee shall report the results of the study required by subsection (a) of this section, including recommendations for any proposed legislative changes, to the General Assembly prior to the convening of the 2015 General Assembly.

COMPETITIVE GRANTS TO IMPROVE AFTER-SCHOOL SERVICES

SECTION 8.19.(a) Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2014-2015 fiscal year, the State Board of Education shall use five million dollars ($5,000,000) for the After-School Quality Improvement Grant Program administered by the Department of Public Instruction. It is the intent of the General Assembly to appropriate five million dollars ($5,000,000) for this purpose in each year of the 2015-2017 fiscal biennium. Of the funds appropriated for the program, the Department of Public Instruction may use up to two hundred thousand dollars ($200,000) for each fiscal year to administer the program.

SECTION 8.19.(b) The purpose of the After-School Quality Improvement Grant Program is to pilot after-school learning programs for at-risk students that raise standards for student academic outcomes by focusing on the following:

(1) Use of an evidence-based model with a proven track record of success.

(2) Inclusion of rigorous, quantitative performance measures to confirm their effectiveness during the grant cycle and at the end-of-grant cycle.

(3) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

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

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

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

SECTION 8.19.(c) Local school administrative units and nonprofits working in collaboration with local school administrative units may participate in the program, as set forth in this section, and are eligible to receive two-year grants of up to five hundred thousand dollars ($500,000) a year, based on the proposed number of students served, with an option for

a third year of funding. At least seventy percent (70%) of students served by the program must qualify for free or reduced-price meals.

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

SECTION 8.19.(d) Grant recipients shall report to the Department of Public Instruction after the first year of funding on the progress of the grant, including alignment with State academic standards, data collection for reporting student progress, and other measures, before receiving funding for the next fiscal year. Grant recipients shall report after the second year of funding on key performance data, including statewide test results, attendance rates, and promotion rates. Grant allocations for the third year shall be based on student performance data.

SECTION 8.19.(e) The Department of Public Instruction shall provide interim reports on the grant program to the Joint Legislative Education Oversight Committee by September 15, 2015, and September 15, 2016, with a final report on the program by September 15, 2017. The final report shall include the final results of the program and recommendations regarding effective after-school program models, standards, and performance measures based on student performance, leveraging of community-based resources to expand student access to learning activities and academic support, and the experience of the grant recipients.

SCHEMATIC DESIGNS/EMERGENCY ACCESS TO SCHOOLS

SECTION 8.20.(a) Section 8.39 of S.L. 2013-360 is repealed.

SECTION 8.20.(b) Article 8C of Chapter 115C of the General Statutes is amended by adding new sections to read:

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

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

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

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

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

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

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

SECTION 8.20.(c) The schematic diagrams referenced in subsection (b) of this section shall be provided to local law enforcement agencies and the Division of Emergency Management at the Department of Public Safety by June 1, 2015.

NBPTS SUPPLEMENT FOR INSTRUCTIONAL COACHES IN TITLE I SCHOOLS

SECTION 8.21. G.S. 115C-296.2(b) reads as rewritten:

"(b) Definitions. – As used in this subsection:

(1) A "North Carolina public school" is a school operated by a local board of education, the Department of Health and Human Services, the Division of Adult Correction of the Department of Public Safety, the Division of Juvenile Justice of the Department of Public Safety or The University of North Carolina; a school affiliated with The University of North Carolina; or a charter school approved by the State Board of Education.

(2) A "teacher" is a person who:

a. Either:

1. Is certified to teach in North Carolina; or
2. Holds a certificate or license issued by the State Board of Education that meets the professional license requirement for NBPTS ~~certification;~~certification.

b. Is a State-paid employee of a North Carolina public ~~school;~~school.

c. Is paid on the teacher salary ~~schedule; and~~schedule.

d. Spends at least seventy percent (70%) of his or her work time:

1. In classroom instruction, if the employee is employed as a teacher. Most of the teacher's remaining time shall be spent in one or more of the following: mentoring teachers, doing demonstration lessons for teachers, writing curricula, developing and leading staff development programs for teachers; ~~or~~
2. In work within the employee's area of certification or licensure, if the employee is employed in an area of NBPTS certification other than direct classroom ~~instruction.~~instruction; or
3. As an instructional coach, as classified by the Department of Public Instruction, in a Title I school. As used in this sub-sub-subdivision, a Title I school is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended."

JLEOC STUDY DIAGNOSTIC READING ASSESSMENTS FOR READ TO ACHIEVE

SECTION 8.22.(a) The Joint Legislative Education Oversight Committee shall study the formative and diagnostic reading assessments required by the Department of Public Instruction to meet the provisions of the Read to Achieve Program. The study shall examine whether there are additional options for formative and diagnostic reading assessments that would provide local school administrative units with additional flexibility in meeting the requirements of Read to Achieve, and if fewer assessment instruments or data-gathering activities could be used. When considering additional assessments, the Committee shall review the assessments to see if they could be used with the Education Value-Added Assessment System (EVAAS) in analyzing student growth for the purposes of the teacher evaluation instrument for kindergarten through second grade teachers. The Committee shall also identify other assessments that may be used in analyzing student growth for the purposes of the teacher evaluation instrument for kindergarten through second grade teachers. In identifying additional options for both formative and diagnostic reading assessments, and other assessments for analyzing student growth for the purposes of the teacher evaluation, the Committee shall consider at least the following factors:

(1) The time required for conducting assessments.
(2) The level of integration of assessment results with instructional support for teachers and students.
(3) The timeliness in reporting assessment results to teachers and administrators.
(4) The ability to provide timely and useful assessment results to parents and guardians.

SECTION 8.22.(b) The Joint Legislative Education Oversight Committee shall report the results of the study required by subsection (a) of this section to the General Assembly prior to the convening of the 2015 General Assembly.

SUPPLY OF EMERGENCY EPINEPHRINE AUTO-INJECTORS ON SCHOOL PROPERTY

SECTION 8.23.(a) Article 25A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-375.2A. School supply of epinephrine auto-injectors.**

(a) A local board of education shall provide for a supply of emergency epinephrine auto-injectors on school property for use by trained school personnel to provide emergency medical aid to persons suffering from an anaphylactic reaction during the school day and at school-sponsored events on school property. Each school shall store in a secure but unlocked and easily accessible location a minimum of two epinephrine auto-injectors. For purposes of this section, "school property" does not include transportation to or from school.

(b) For the purposes of this section and G.S. 115C-375.2, "epinephrine auto-injector" means a disposable drug delivery system with a spring-activated, concealed needle that is designed for emergency administration of epinephrine to provide rapid, convenient first aid for persons suffering a potentially fatal reaction to anaphylaxis.

(c) The principal shall designate one or more school personnel, as part of the medical care program under G.S. 115C-375.1, to receive initial training and annual retraining from a school nurse or qualified representative of the local health department regarding the storage and emergency use of an epinephrine auto-injector. Notwithstanding any other provision of law to the contrary, the school nurse or other designated school personnel who has received training under this subsection shall obtain a non-patient specific prescription for epinephrine auto-injectors from a physician, physician assistant, or nurse practitioner of the local health department serving the area in which the local school administrative unit is located.

(d) The principal shall collaborate with appropriate school personnel to develop an emergency action plan for the use of epinephrine auto-injectors in an emergency. The plan shall include at least the following components:

(1) Standards and procedures for the storage and emergency use of epinephrine auto-injectors by trained school personnel.

(2) Training of school personnel in recognizing symptoms of anaphylaxis.

(3) Emergency follow-up procedures, including calling emergency services and contacting a student's parent and physician.

(4) Instruction and certification in cardiopulmonary resuscitation.

(e) A supply of emergency epinephrine auto-injectors provided in accordance with this section shall not be used as the sole medication supply for students known to have a medical condition requiring the availability or use of an epinephrine auto-injector. Those students may be authorized to possess and self-administer their medication on school property under G.S. 115C-375.2.

(f) A local board of education, its members, employees, designees, agents, or volunteers, and a physician, physician assistant, or nurse practitioner of the local health department shall not be liable in civil damages to any party for any act authorized by this section or for any omission relating to that act unless that act or omission amounts to gross negligence, wanton conduct, or intentional wrongdoing."

SECTION 8.23.(b) G.S. 115C-238.29F(a) reads as rewritten:

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

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

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

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

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

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

SECTION 8.23.(c) G.S. 115C-238.66(7) reads as rewritten:

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

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

SECTION 8.23.(d) Within 60 days of the date this act becomes law, the North Carolina Board of Pharmacy, in consultation with the State Board of Education, shall adopt rules addressing the authorization for school personnel to obtain a prescription for epinephrine for emergency health circumstances in public schools in accordance with G.S. 115C-375.2A, as enacted by this section.

SECTION 8.23.(e) Subsections (a) through (c) of this section become effective November 1, 2014.

OPPORTUNITY SCHOLARSHIP GRANT CLARIFICATIONS

SECTION 8.25.(a) G.S. 115C-562.2(a) reads as rewritten:

"(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic school. Information about scholarship grants and the application process shall be made available on the Authority's Web site. Beginning ~~March 1,~~March 15, the Authority shall begin awarding scholarship grants according to the following criteria:

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

…."

SECTION 8.25.(b) G.S. 115C-562.2 is amended by adding a new subsection to read:

"(e) Scholarship applications and personally identifiable information related to eligible students receiving scholarship grants shall not be a public record under Chapter 132 of the General Statutes. For the purposes of this section, personally identifiable information means any information directly related to a student or members of a student's household, including the name, birthdate, address, Social Security number, telephone number, e-mail address, financial information, or any other information or identification number that would provide information about a specific student or members of a specific student's household."

SECTION 8.25.(c) G.S. 115C-562.3(a) reads as rewritten:

"(a) The Authority may seek verification of information on any application for scholarship grants from eligible students. The Authority shall select and verify ~~a random sample of no less than~~ six percent (6%) of applications ~~annually.~~annually, including those with apparent errors on the face of the application. The Authority shall establish rules for the verification process and may use the federal verification requirements process for free and reduced-price lunch applications as guidance for those rules. If a household fails to cooperate

with verification efforts, the Authority shall revoke the award of the scholarship grant to the eligible student."

SECTION 8.25.(d) G.S. 115C-562.5 is amended by adding a new subsection to read:

"(c1) A nonpublic school shall not discriminate with respect to the categories listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014."

SECTION 8.25.(d1) G.S. 115C-562.5(a)(2) reads as rewritten:

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

…

(2) ~~Conduct~~Provide to the Authority a criminal background check conducted for the staff member with the highest decision-making authority, as defined by the bylaws, articles of incorporation, or other governing document, to ensure that person has not been convicted of any crime listed in G.S. 115C-332."

SECTION 8.25.(e) G.S. 115C-562.7(a) is repealed.

SECTION 8.25.(f) G.S. 115C-562.7(b) reads as rewritten:

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

…."

SECTION 8.25.(g) Notwithstanding the requirement in G.S. 115C-562.2(a), as amended by this section, that the State Education Assistance Authority (Authority) make available applications for scholarship grants to attend nonpublic schools by February 1, the Authority shall make applications for the award of scholarships for the 2015 spring semester available no later than October 1, 2014, and the Authority shall notify parents in writing of the eligibility as soon as practicable. Notwithstanding the awards criteria in G.S. 115C-562.2(a), as amended by this section, and the definition of eligible student in G.S. 115C-562.1(2), to be eligible to receive a scholarship grant for the 2015 spring semester, a student shall meet both of the following criteria:

(1) Reside in a household with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program.

(2) Be a full-time student who has not yet received a high school diploma and is assigned to and attending a public school pursuant to G.S. 115C-366 during the 2014 fall semester.

The Authority shall establish temporary rules and regulations for the administration and awarding of scholarship grants for the 2015 spring semester. The Authority shall give priority to an eligible student who applied but did not receive an award for the 2014-2015 school year in the awarding of scholarship grants for the 2015 spring semester. The Authority may also develop a process for awarding grants using a random lottery system.

SECTION 8.25.(h) Notwithstanding G.S. 115C-562.2(b), scholarship grants awarded to eligible students for the 2015 spring semester shall be for amounts of up to two thousand one hundred dollars ($2,100). No scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend. Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school.

SECTION 8.25.(i) Notwithstanding G.S. 115C-562.6, the Authority shall remit at least once during the 2015 spring semester scholarship grant funds awarded for that semester for endorsement by at least one of the student's parents or guardians. The requirements of G.S. 115C-562.6 shall otherwise apply to scholarship grants awarded for the 2015 spring semester.

SECTION 8.25.(j) Except as otherwise provided in this section, Part 2A of Article 39 of the General Statutes shall apply to the award of scholarship grants for the 2015 spring semester by the Authority.

SECTION 8.25.(k) Notwithstanding the requirements of G.S. 115C-562.3, as amended by this section, for applications received for the 2014-2015 school year or the 2015 spring semester, the State Education Assistance Authority shall select and verify no less than three percent (3%) of applications, including those with apparent errors on the face of the application.

SECTION 8.25.(l) Notwithstanding G.S. 116-30.3(a) or any other provision of law, of the funds appropriated to the Board of Governors of The University of North Carolina for the 2014-2015 fiscal year to award scholarship grants to eligible students in accordance with Section 8.29 of S.L. 2013-360 and the provisions of this section, any unspent funds in the 2014-2015 fiscal year for this purpose shall revert to the General Fund on June 30, 2015.

SECTION 8.25.(m) Subsection (b) of this section becomes effective July 1, 2013. The remainder of this section is effective when it becomes law.

INJURY PREVENTION AND RETURN-TO-WORK PROGRAMS

SECTION 8.26. G.S. 115C-12 is amended by adding a new subdivision to read:

"(43) To Ensure that Local Boards of Education Implement Injury Prevention and Return-to-Work Programs. – The State Board of Education shall develop policies and procedures to ensure that local boards of education implement and comply with loss prevention and return-to-work programs based on models adopted by the State Board. These models shall be designed to reduce the number of injuries resulting in workers' compensation claims and ensure injured employees with workers' compensation claims return to work in accordance with current State Board of Education policy."

PARTICIPATION IN INVESTING IN INNOVATION GRANTS

SECTION 8.27. Section 8.25(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 8.25.(b)** The federal Investing in Innovation Fund Grant: Validating Early College Strategies for Traditional Comprehensive High Schools awarded to the North Carolina New Schools Project for 2012-2017 requires students to enroll in a community college course in the 10th grade. Notwithstanding any other provision of law, specified local school administrative units may offer one community college course to participating sophomore (10th grade) students. Participating local school administrative units are Alleghany, Beaufort, Bladen, Hertford, Jones, Madison, Martin, Richmond, Rutherford, Surry, Warren, ~~Wilkes,~~ and Yancey County Schools."

DEPARTMENT OF PUBLIC INSTRUCTION RESPONSE TIME

SECTION 8.28. Staff at the Department of Public Instruction shall, whenever practicable, respond to requests for information originating from the superintendent of a local school administrative unit, the principal officer of a charter school, or the principal of a regional school, or their designees, within three business days of receipt of the request. Absent extraordinary circumstances, requests for information shall be reasonably and fully answered within 14 business days following an initial response.

EXTEND REPORTING FOR SCHOOL PERFORMANCE SCORES AND GRADES

SECTION 8.30. Section 9.4(f) of S.L. 2013-360 reads as rewritten:

"**SECTION 9.4.(f)** The State Board of Education shall issue the first annual report cards under G.S. 115C-12(9)c1., as amended by this section, no earlier than ~~August 1, 2014.~~January 15, 2015."

ANNUAL DISTRIBUTION OF SCHOOL BULLYING/CYBER-BULLYING POLICIES

SECTION 8.32.(a) G.S. 115C-407.16(d) reads as rewritten:

"(d) At the beginning of each school year, the principal shall provide the local school administrative unit's policy prohibiting bullying and harassing behavior, including cyber-bullying, to staff, students, and parents as defined in G.S. 115C-390.1(b)(8). Notice of the local policy shall appear in any school unit publication that sets forth the comprehensive rules, procedures, and standards of conduct for schools within the school unit and in any student and school employee handbook."

SECTION 8.32.(b) G.S. 115C-238.29F is amended by adding a new subsection to read:

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

SECTION 8.32.(c) G.S. 115C-238.66 reads as rewritten:

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

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

…

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

SECTION 8.32.(d) This section applies beginning with the 2014-2015 school year.

CLARIFY SCHOOL COUNSELORS WORK DUTIES

SECTION 8.33.(a) G.S. 115C-316.1(b) reads as rewritten:

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

SECTION 8.33.(b) Section 8.35(b) of S.L. 2013-360 is repealed.

FUNDS FOR CHARTER SCHOOL CLOSURE

SECTION 8.34.(a) G.S. 115C-238.29F(i) is repealed.

SECTION 8.34.(b) Article 16 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-238.29L. Dissolution of a charter school.**

(a) Funds Reserved for Closure Proceedings. – A charter school shall maintain, for the purposes of ensuring payment of expenses related to closure proceedings in the event of a voluntary or involuntary dissolution of the charter school, one or more of the options set forth in this subsection. The minimum aggregate value of the options chosen by the charter school shall be fifty thousand dollars ($50,000). The State Board of Education shall not allocate any funds under G.S. 115C-238.29H to a charter school unless the school has provided documentation to the State Board that the charter school has met the requirements of this subsection. Permissible options to satisfy the requirements of this subsection include one or more of the following:

(1) An escrow account.

(2) A letter of credit.

(3) A bond.

(4) A deed of trust.

(b) Distribution of Assets. – Upon dissolution of a charter school, all net assets of the charter school purchased with public funds shall be deemed the property of the local school administrative unit in which the charter school is located."

SECTION 8.34.(c) G.S. 115C-238.29G(a1) reads as rewritten:

"(a1) The State Board shall adopt criteria for adequate performance by a charter school and shall identify charter schools with inadequate performance. The criteria shall include a requirement that a charter school which demonstrates no growth in student performance and has annual performance composites below sixty percent (60%) in any two years in a three-year period is inadequate.

…

(2) If a charter school is inadequate and has had a charter for more than five years, the State Board is authorized to terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the State Board. The State Board shall develop rules on the assumption of a charter by a new entity that include all aspects of the operations of the charter school, including the status of the employees. Public assets would transfer to the new entity and not revert to the local school administrative unit in which the charter school is located pursuant to ~~G.S. 115C-238.29F(i).~~G.S. 115C-238.29L(b)."

SECTION 8.34.(d) This section applies to charter schools that submit applications for an initial charter or the renewal of a charter to the State Board of Education on or after the date this act becomes law.

VIRTUAL CHARTER SCHOOL PILOT PROGRAM

SECTION 8.35.(a) Notwithstanding G.S. 115C-238.29D or any other provision of law to the contrary, the State Board of Education shall establish a pilot program to authorize the operation of two virtual charter schools serving students in kindergarten through twelfth grade. The State Board shall establish an application process to allow student enrollment in the selected virtual charter schools beginning with the 2015-2016 school year. A virtual charter school participating in the pilot may serve any grade span of students in kindergarten through twelfth grade. The pilot program shall continue for a period of four school years and shall end with the 2018-2019 school year.

SECTION 8.35.(b) The virtual charter schools participating in the pilot program authorized by this section shall be subject to the statutes and rules applicable to charter schools pursuant to Part 6A of Article 16 of Chapter 115C of the General Statutes, except as follows:

(1) The maximum student enrollment in any participating school shall be no greater than 1,500 in its first year of operation and may increase by twenty percent (20%) for each participating school up to a maximum student enrollment of 2,592 in the fourth year of the pilot. The State Board of Education may waive this maximum student enrollment threshold, beginning in the fourth year of the school's operation, if the State Board determines that doing so would be in the best interest of North Carolina students.

(2) The maximum overall ratio of teachers to students for kindergarten through eighth grade shall be 1:50, and for ninth through twelfth grade shall be 1:150.

(3) A student who regularly fails to participate in courses may be withdrawn from enrollment pursuant to procedures adopted by the virtual charter school. The procedures adopted by the virtual charter school shall ensure that (i) fair notice is provided to the parent and student and (ii) an opportunity is provided, prior to withdrawal of the student by the school, for the student and parent to demonstrate that failure to participate in courses is due to a lawful absence recognized under Part I of Article 26 of Chapter 115C of the General Statutes and any applicable rules adopted by the State Board of Education.

SECTION 8.35.(c) In addition to the operating requirements applicable to a virtual charter school participating in the pilot program pursuant to Part 6A of Article 16 of Chapter 115C of the General Statutes, the following requirements shall apply to a participating virtual charter school:

(1) The school shall maintain an administrative office within North Carolina. In addition, the school shall maintain at least one testing center or meeting place within each of the eight State Board of Education districts where the participating students reside, to allow educators and administrators from the school to meet students and parents.

(2) If the school contracts with a third party for the provision of administrative staff, such staff fulfilling the equivalent positions of superintendent, principal, or business officer shall be residents of North Carolina.

(3) All teaching staff shall carry the appropriate State certification to instruct any course and shall receive professional development in virtual instruction pursuant to the school's application to the State Board of Education to participate in the pilot program within 30 days of the employee's date of hire. At least ninety percent (90%) of the teaching staff shall reside within North Carolina.

(4) The school shall have a withdrawal rate below twenty-five percent (25%). A student enrolled in a school with the intent expressed prior to enrollment of only being enrolled for a finite period of time within the school year shall not be counted in the measured withdrawal rate. The school shall keep a written record of a student's stated intent for finite enrollment. A count of

school attendance shall be taken at least once during each semester for funding purposes.

(5) The school shall ensure that each student is assigned a learning coach. The learning coach shall provide (i) daily support and supervision of students, (ii) ensure student participation in online lessons, and (iii) coordinate teacher-led instructional sessions and State assessments.

SECTION 8.35.(d) Notwithstanding G.S. 115C-238.29B and G.S. 115C-238.29D, a participating virtual charter school that is successful in meeting the requirements of this section and the applicable requirements of Part 6A of Article 16 of Chapter 115C of the General Statutes during the period of the pilot program shall be eligible to be approved by the State Board of Education, at its discretion, without additional application requirements.

SECTION 8.35.(e) The State Board of Education shall provide State funding to a virtual charter school participating in the pilot program as provided in G.S. 115C-238.29H(a) and G.S. 115C-238.29H(a1). The amount allocated pursuant to G.S. 115C-238.29H(a)(1) shall not, however, include the allocation for low-wealth counties supplemental funding and the allocation for small county supplemental funding. Virtual charter schools participating in the pilot program shall also be subject to the requirements in G.S. 115C-238.29H(b) through G.S. 115C-238.29H(d). The amount of local funds provided to participating schools pursuant to G.S. 115C-238.29H(b) shall be the lesser of seven hundred ninety dollars ($790.00) per pupil or the amount computed in accordance with G.S. 115C-238.29H(b).

SECTION 8.35.(f) A participating virtual charter school that does not comply with the provisions of this section may result in deferment or termination of enrollment expansion, or termination of a pilot. Schools are subject to presentation of data to the State Board of Education at the call of the Chair of the State Board with a minimum of 21 days' notice.

SECTION 8.35.(g) The State Board shall report on the initial implementation of the pilot program to the Joint Legislative Education Oversight Committee by November 15, 2016, and on findings from three years of operation of the pilot program by November 15, 2018. At a minimum, the report shall include the following:

(1) The number of students who have enrolled in courses offered by the schools.
(2) The number and type of courses offered by the schools.
(3) The withdrawal rate of students after enrollment.
(4) Student performance and accountability data.
(5) Information on the implementation, administration, and funding for the pilot program.
(6) Recommendations on the modification, continuation, and potential expansion of the program.

CLARIFY REGIONAL SCHOOL CIHS APPLICATIONS

SECTION 8.36.(a) G.S. 115C-238.50A(1a) reads as rewritten:

"(1a) Cooperative innovative high school. – A high school approved by the State Board of Education and the applicable governing Board that meets the following criteria:

a. It has no more than 100 students per grade level. <u>This criterion shall not apply to a regional school as defined in G.S. 115C-238.61.</u>

b. It partners with an institution of higher education to enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

c. It is located on the campus of the partner institution of higher education, unless the governing Board or the local board of trustees for a private North Carolina college specifically waives the requirement through adoption of a formal resolution. <u>This criterion shall not apply to a regional school established as provided in Part 10 of this Article.</u>"

SECTION 8.36.(b) Notwithstanding the requirements of Part 9 of Article 16 of Chapter 115C of the General Statutes, for the 2014-2015 school year, the Northeast Regional School of Biotechnology and Agriscience shall be designated as a cooperative innovative high school. To maintain the designation as a cooperative innovative high school beyond the 2014-2015 school year, the board of directors of the Northeast Regional School of

Biotechnology and Agriscience shall apply with a local board of trustees for approval as a cooperative innovative high school program as provided under Part 9 of Article 16 of Chapter 115C of the General Statutes.

LEASE PURCHASE OR INSTALLMENT PURCHASE CONTRACTS TO PURCHASE ATHLETIC LIGHTING

SECTION 8.38. G.S. 115C-528(a) reads as rewritten:

"(a) Local boards of education may purchase or finance the purchase of automobiles; school buses; mobile classroom units; food service equipment, photocopiers; athletic lighting; and computers, computer hardware, computer software, and related support services by lease purchase contracts and installment purchase contracts as provided in this section. Computers, computer hardware, computer software, and related support services purchased under this section shall meet the technical standards specified in the North Carolina Instructional Technology Plan as developed and approved under G.S. 115C-102.6A and G.S. 115C-102.6B."

EDUCATION OF CHILDREN IN PRIVATE PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES

SECTION 8.39.(a) G.S. 108A-80 reads as rewritten:

"**§ 108A-80. Confidentiality of records.**

(a) Except as provided in subsections (b) ~~below,~~and (b1) of this section, it shall be unlawful for any person to obtain, disclose or use, or to authorize, permit, or acquiesce in the use of any list of names or other information concerning persons applying for or receiving public assistance or social services that may be directly or indirectly derived from the records, files or communications of the Department or the county boards of social services, or county departments of social services or acquired in the course of performing official duties except for the purposes directly connected with the administration of the programs of public assistance and social services in accordance with federal law, rules and regulations, and the rules of the Social Services Commission or the Department.

(b) The Department shall furnish a copy of the recipient check register monthly to each county auditor showing a complete list of all recipients of Work First Family Assistance in Standard Program Counties and State-County Special Assistance, their addresses, and the amounts of the monthly grants. An Electing County whose checks are not being issued by the State shall furnish a copy of the recipient check register monthly to its county auditor showing a complete list of all recipients of Work First Family Assistance in the Electing County, their addresses, and the amounts of the monthly payments. These registers shall be public records open to public inspection during the regular office hours of the county auditor, but the registers or the information contained therein may not be used for any commercial or political purpose. Any violation of this section shall constitute a Class 1 misdemeanor.

(b1) The Department may share confidential information concerning a person receiving public assistance or social services with a local school administrative unit and with the Department of Public Instruction. Disclosure is limited to that information necessary to establish, coordinate, or maintain appropriate educational services for the person receiving public assistance or social services.

(c) Any listing of recipients of benefits under any public assistance or social services program compiled by or used for official purposes by a county board of social services or a county department of social services shall not be used as a mailing list for political purposes. This prohibition shall apply to any list of recipients of benefits of any federal, State, county or mixed public assistance or social services program. Further, this prohibition shall apply to the use of such listing by any person, organization, corporation, or business, including but not limited to public officers or employees of federal, State, county, or other local governments, as a mailing list for political purposes. Any violation of this section shall be punishable as a Class 1 misdemeanor.

(d) The Social Services Commission may adopt rules governing access to case files for social services and public assistance programs, except the Medical Assistance Program. The Secretary of the Department of Health and Human Services shall have the authority to adopt rules governing access to medical assistance case files."

SECTION 8.39.(b) G.S. 115C-12 is amended by adding a new subdivision to read:

"(44) Duty to Ensure Educational Services in Private Psychiatric Residential Treatment Facilities (PRTFs). – The Board, in collaboration with the

Department of Health and Human Services, shall ensure that educational services are provided to all students in PRTFs as required under Part 4 of Article 6 of Chapter 122C of the General Statutes. The Board shall ensure that a child with a disability as defined under G.S. 115C-106.3(1) in a PRTF receives educational services and procedural safeguards as provided in Article 9 of this Chapter."

SECTION 8.39.(c) G.S. 122C-23.1 reads as rewritten:

"**§ 122C-23.1. Licensure of residential treatment facilities.**

(a) The General Assembly finds:

(1) That much of the care for residential treatment facility residents is paid by the State and the counties;

(2) That the cost to the State for care for residents of residential treatment facilities is substantial, and high vacancy rates in residential treatment facilities further increase the cost of care;

(3) That the proliferation of residential treatment facilities results in costly duplication and underuse of facilities and may result in lower quality service;

(4) There is currently no ongoing relationship between some applicants for licensure and local management entities (LMEs) that are responsible for the placement of children and adults in residential treatment facilities; and

(5) That it is necessary to protect the general welfare and lives, health, and property of the people of the State for the local management entity (LME) to verify that additional beds are needed in the LME's catchment area before new residential treatment facilities are licensed. This process is established to ensure that unnecessary costs to the State do not result, residential treatment facility beds are available where needed, and that individuals who need care in residential treatment facilities may have access to quality care.

Based on these findings, the Department of Health and Human Services may license new residential treatment facilities if the applicant for licensure submits with the application a letter of support obtained from the local management entity in whose catchment area the facility will be located. The letter of support shall be submitted to the Department of Health and Human Services, Division of Health Service Regulation and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and shall specify the number of existing beds in the same type of facility in the catchment area and the projected need for additional beds of the same type of facility.

(b) All private psychiatric residential treatment facilities (PRTFs), as defined in G.S. 122C-450(a)(3), that serve children eligible to attend the public schools in accordance with G.S. 115C-366, including a student who has been suspended or expelled but otherwise meets the requirements of that statute, shall have a facility-based school as a condition of licensure. Subject to the time limits of subsection (c) of this section, the school shall meet all the requirements of a qualified nonpublic school under Article 39 of Chapter 115C of the General Statutes and of a Nonpublic Exceptional Children's Program as defined in G.S. 122C-450(a)(2). The requirements of this subsection and subsection (c) of this section do not apply to PRTFs that are approved charter schools pursuant to Part 6A of Article 16 of Chapter 115C of the General Statutes.

(c) The Department of Health and Human Services may issue an initial license to a PRTF that meets all licensure requirements except for the approval of the facility-based school as a Nonpublic Exceptional Children's Program by the Department of Public Instruction. This initial license is valid for a period of six months, during which time the PRTF shall obtain approval of its facility-based school as a Nonpublic Exceptional Children's Program by the Department of Public Instruction. If such approval is not obtained before the expiration of the initial license, the Department of Health and Human Services shall review the PRTF's license for appropriate action. If the PRTF obtains approval as a Nonpublic Exceptional Children's Program, the Department of Health and Human Services may issue a license for the remainder of the calendar year, and the facility is eligible for annual renewal thereafter.

(d) At any time upon receipt of a written notice from the Department of Public Instruction that a PRTF has not provided or is not providing educational services, or is not reasonably cooperating with the Department of Public Instruction to ensure those services are provided and that compliance with State and federal law is assured, the Department of Health

and Human Services shall review the PRTF's license for appropriate action. The Department of Health and Human Services may issue sanctions including (i) requiring a refund of all State funds disbursed for the provision of educational services for the current fiscal year, (ii) barring future funding for the provision of educational services for the current or following year, or (iii) suspending or revoking the PRTF's license.

(e) As used in this ~~subsection,~~section, "residential treatment facility" means a "residential facility" as defined in and licensed under this Chapter, but not subject to Certificate of Need requirements under Article 9 of Chapter 131E of the General Statutes."

SECTION 8.39.(d) G.S. 122C-55 is amended by adding a new subsection to read:

"(g2) Whenever there is reason to believe that the client is eligible for educational services through a governmental agency, a facility shall disclose client identifying information to the Department of Public Instruction. Disclosure is limited to that information necessary to establish, coordinate, or maintain educational services. The Department of Public Instruction may further disclose client identifying information to a local school administrative unit as necessary."

SECTION 8.39.(e) Article 6 of Chapter 122C of the General Statutes is amended by adding a new Part to read:

"Part 4. Educational Services in Private Psychiatric Residential Treatment Facilities.

"**§ 122C-450. Definitions.**

(a) The following definitions apply in this Part:

(1) "Educational services" means appropriate education-related assessment and instruction provided to any child residing in a private psychiatric residential treatment facility, including special education and related services to a child with a disability as defined in G.S. 115C-106.3(1). An education-related assessment includes the determination of need for special education and related services.

(2) "Nonpublic Exceptional Children's Program" means a facility-based school that meets all of the following criteria:

a. Provides at least one teacher for every 14 students. The PRTF shall report exceptions to this requirement to (i) the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS) to request additional funding for educational services as provided under G.S. 122C-450.1(d) to the extent that funds are available and, if funds are not available, (ii) the Department of Public Instruction to request a waiver from this requirement.

b. Provides at least one teacher with a North Carolina Professional Educator license in special education, if there is a child with a disability as defined in G.S. 115C-106.3(1) residing in the PRTF.

c, Registers with the Department of Administration, Division of Nonpublic Schools, under Article 39 of Chapter 115C of the General Statutes.

d. Has been approved by the Department of Public Instruction to provide educational services as promulgated by the rules adopted by the State Board of Education pursuant to the Administrative Procedures Act.

(3) "Private psychiatric residential treatment facility" (PRTF) means a facility, other than a hospital, that provides psychiatric and other behavioral health services as described in Subpart D of C.F.R. Part 441 of Chapter 42 to individuals under age 21 in an inpatient setting licensed by the Department of Health and Human Services as provided under Chapter 122C of the General Statutes. A PRTF does not include a State-operated facility.

"**§ 122C-450.1. Eligibility and allocations.**

(a) A child who is receiving psychiatric and other behavioral health services in a PRTF shall also receive educational services in accordance with federal and State law, if the child is eligible to enroll in public schools as provided in G.S. 115C-366, including a student who has been suspended or expelled but otherwise meets the requirements of that statute. For a child with a disability, as defined in G.S. 115C-106.3(1), who has been placed in a PRTF, all educational services shall meet applicable standards as required under Article 9 of Chapter 115C of the General Statutes.

(b) A PRTF shall be qualified to receive a funding allocation, to the extent that funds are available from the Department of Health and Human Services, to provide educational services if the following conditions are met:

(1) The PRTF is licensed by the Department of Health and Human Services pursuant to Chapter 122C of the General Statutes and has a facility-based school approved by the Department of Public Instruction as a Nonpublic Exceptional Children's Program.

(2) The PRTF documents deviations from educational and other programmatic requirements when it is medically necessary for a resident in accordance with G.S. 122C-62(e).

(c) A PRTF that meets the qualification standards required in subsection (b) of this section may enter into an educational services contract, to the extent that funds are available, with a local school administrative unit to assist in the delivery of educational services to the children in the PRTF. The contract shall clearly define the education-related assessment, instruction, and legal responsibilities of both parties engaging in the educational services contract. A PRTF entering into an educational services contract with a local school administrative unit shall submit the educational services contract to both the Department of Public Instruction and the Department of Health and Human Services for inclusion in any required reports to the General Assembly regarding the provision of educational services to children in PRTFs.

(d) To the extent that funds are available in the Department of Public Instruction for the delivery of educational services in PRTFs as provided in this Part, those funds shall be transferred to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS). The funds transferred for the purchase of educational services within the PRTF shall not be allocated to LME/MCOs but shall be held in reserve at the DMH/DD/SAS. The DMH/DD/SAS shall use the reserve funds to pay for educational services authorized by the Department of Public Instruction and billed by the PRTFs in a process established by the DMH/DD/SAS. The funds transferred to the DMH/DD/SAS pursuant to this section shall be allocated to the PRTFs for educational services in a manner determined by the Department of Health and Human Services and the Department of Public Instruction in a Memorandum of Understanding or a Memorandum of Agreement. The Department of Health and Human Services shall disburse for these purposes only those funds transferred from the Department of Public Instruction.

(e) The Department of Health and Human Services shall cease disbursement of educational funding to a PRTF upon receipt of a written notice from the Department of Public Instruction that educational services have not been provided. Educational funding disbursement shall be reinstated by the Department of Health and Human Services upon written notice from the Department of Public Instruction that the PRTF is providing educational services.

(f) A PRTF that receives educational funding shall comply with all audit and accounting policies applicable to other public and private entities receiving public funding.

"**§ 122C-450.2. Information sharing.**

(a) Within three business days of admitting a child into a PRTF, the admitting PRTF shall notify (i) the Department of Public Instruction and (ii) the local school administrative unit in which the child was last enrolled, if known. The PRTF shall request a copy of the child's most current Individualized Education Program and any other available documents related to the provision of appropriate educational services from the local school administrative unit. To the extent practicable, the local school administrative unit shall provide this information within three business days of receiving a request made pursuant to this subsection. Upon withdrawal or discharge of a child, the PRTF shall notify the Department of Public Instruction within three business days of such withdrawal or discharge.

(b) The PRTF and the receiving local school administrative unit shall work together to develop a transition plan, including a revised Individualized Education Program, if necessary, to be implemented upon discharge of the child residing in a PRTF.

"**§ 122C-450.3. Technical assistance and monitoring.**

The State Board of Education and the Department of Public Instruction shall (i) offer training to PRTFs on compliance with special education laws and regulations, (ii) maintain a current list of names of children residing in PRTFs along with the name and contact information of the PRTF in which each child resides, and (iii) develop and implement rules to monitor the delivery of educational services in PRTFs, including a process to inform the

Department of Health and Human Services when services are not being provided. The Department of Health and Human Services shall appropriately enforce applicable licensing requirements as provided under G.S. 122C-23.1.

"**§ 122C-450.4. Reporting requirement.**

The Department of Health and Human Services and the Department of Public Instruction, in collaboration with other interested agencies, shall submit, by January 15 of each year, a joint report to the Joint Legislative Education Oversight Committee and to the Joint Legislative Oversight Committee on Health and Human Services on the delivery of educational services in PRTFs, including (i) the annual number of children by age residing in a PRTF both with and without an Individualized Education Program, (ii) the average length of stay of these children, (iii) the types of educational services, including number of hours each type of service has been provided, (iv) the costs and outcomes of providing educational services, and (v) recommendations for improving the efficiency and effectiveness of delivering educational services to children residing in PRTFs."

SECTION 8.39.(f) As of the effective date of this act, PRTFs that are licensed to serve children eligible to enroll in public schools as provided in G.S. 115C-366, including a student who has been suspended or expelled but otherwise meets the requirements of that statute, shall have six months after their next annual renewal to obtain approval of their facility-based school by the Department of Public Instruction as a Nonpublic Exceptional Children's Program. If such approval is not obtained before the expiration of the additional six months, the Department of Health and Human Services shall review the PRTF's license for appropriate action. This subsection does not apply to PRTFs that are approved charter schools pursuant to Part 6A of Article 16 of Chapter 115C of the General Statutes.

SECTION 8.39.(g) The State Board of Education shall adopt emergency rules pursuant to G.S. 150B-21.1A to monitor the delivery of educational services in PRTFs, including a process to inform the Department of Health and Human Services when services are not being provided.

SECTION 8.39.(h) The Department of Health and Human Services and the Department of Public Instruction, in collaboration with other interested agencies, shall submit its initial joint report, as required by G.S. 122C-450.4, to the Joint Legislative Education Oversight Committee and to the Joint Legislative Oversight Committee on Health and Human Services by January 15, 2015.

SECTION 8.39.(i) In accordance with G.S. 122C-450.1(d), as enacted by this act, the Department of Public Instruction shall transfer the funds provided for in this act for the purchase of educational services within PRTFs pursuant to this section to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS).

SECTION 8.39.(j) The Department of Public Instruction shall process all applications submitted by PRTFs on or before September 1, 2014, for approval as a Nonpublic Exceptional Children's Program no later than December 1, 2014.

ALLOW CONTINUED TRANSFER OF FUNDS FROM SPECIAL EDUCATION TAX CREDITS

SECTION 8.40. Section 6(b) of S.L. 2013-364 reads as rewritten:

"**SECTION 6.(b)** The State Controller shall transfer the fund balance from the Fund for Special Education and Related Services to Nontax Budget Code 19978 (Intrastate Transfers) or the appropriate budget code as determined by the State Controller to support General Fund ~~appropriations for the 2013-2014 fiscal year.~~appropriations."

DIFFERENTIATED PAY FOR HIGHLY EFFECTIVE TEACHERS

SECTION 8.41.(a) Intent. – It is the intent of the General Assembly to provide local boards of education additional State funds for local programs to provide differentiated pay for highly effective classroom teachers through funds appropriated from the North Carolina Education Endowment Fund as provided in Section 8.11(i) of this act.

SECTION 8.41.(b) Proposals. – Local boards of education shall submit proposals to establish a local program to provide differentiated pay for highly effective classroom teachers to the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, and the Joint Legislative Education Oversight Committee by January 15, 2015.

(1) Proposals may include any of the following types of differentiated pay for classroom teachers:
   a. Performance-based salary increases for classroom teachers rated highly effective on the North Carolina Teacher Evaluation instrument based on successful performance relative to classroom instruction and student academic growth.
   b. Differentiated bonuses for classroom teachers, including:
      1. Hard-to-staff subject areas, such as science, technology, engineering, and mathematics (STEM) education and exceptional children.
      2. Hard-to-staff schools.
      3. Assignment of additional academic responsibilities and leadership roles.
      4. Assignment as an instructional coach.

(2) Proposals shall limit eligibility for differentiated pay to the following employees of local boards of education:
   a. Classroom teachers. – An eligible classroom teacher is a teacher who is employed as a teacher who spends at least seventy percent (70%) of his or her work time in classroom instruction and is not employed as instructional support personnel.
   b. Instructional coach, as classified by the Department of Public Instruction, in a Title I school, as identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2014-2015 fiscal year to licensed personnel of the public schools who are classified as teachers. The schedule contains steps with each step corresponding to one year of teaching experience.

2014-2015 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0-4	$3,300
5-9	3,650
10-14	4,000
15-19	4,350
20-24	4,650
25+	5,000

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

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

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

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

(4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the supplement provided to them as "M" teachers.

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

SECTION 9.1.(c) The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree

level or higher, and (iii) school audiologists who are licensed as audiologists at the master's degree level or higher shall be equivalent to Step 5 of the "A" salary schedule. These employees shall receive a salary supplement each month of ten percent (10%) of their monthly salary and are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

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

SECTION 9.1.(e) A teacher compensated in accordance with this salary schedule shall receive an amount equal to the greater of (i) the applicable amount on the salary schedule or (ii) the sum of the teacher's salary plus the annual longevity payment that was effective for the 2013-2014 school year.

In addition, educators receiving compensation equal to the sum of the teacher's salary plus the annual longevity payment that was effective for the 2013-2014 school year shall receive an annual bonus of one thousand dollars ($1,000), payable monthly.

SECTION 9.1.(f) Teachers who earned longevity during the 2013-2014 fiscal year shall be paid a prorated longevity amount for annual longevity earned prior to July 1, 2014. If the funds appropriated for the 2014-2015 fiscal year to the Accrued Longevity Reserve – Educators are insufficient, the Department of Public Instruction shall use other funds within the State Public School Fund for these purposes.

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

SECTION 9.1.(h) Section 35.11 of S.L. 2013-360 is repealed.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 9.11.(a) The following base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2014-2015 fiscal year commencing July 1, 2014.

2014-2015 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant	Prin I	Prin II	Prin III	Prin IV
Principal	(0-10)	(11-21)	(22-32)	(33-43)	
0-9	$3,828	-	-	-	-
10	$3,977	-	-	-	-
11	$4,123	-	-	-	-
12	$4,240	-	-	-	-
13	$4,323	$4,323	-	-	-
14	$4,377	$4,377	-	-	-
15	$4,434	$4,434	$4,489	-	-
16	$4,489	$4,489	$4,547	-	-
17	$4,547	$4,547	$4,606	$4,665	-
18	$4,606	$4,606	$4,665	$4,726	$4,788
19	$4,665	$4,665	$4,726	$4,788	$4,851
20	$4,726	$4,726	$4,788	$4,851	$4,918
21	$4,788	$4,788	$4,851	$4,918	$4,983
22	$4,851	$4,851	$4,918	$4,983	$5,050
23	$4,918	$4,918	$4,983	$5,050	$5,119
24	$4,983	$4,983	$5,050	$5,119	$5,188
25	$5,050	$5,050	$5,119	$5,188	$5,263
26	$5,119	$5,119	$5,188	$5,263	$5,335
27	$5,188	$5,188	$5,263	$5,335	$5,409
28	$5,263	$5,263	$5,335	$5,409	$5,483
29	$5,335	$5,335	$5,409	$5,483	$5,561
30	$5,409	$5,409	$5,483	$5,561	$5,641
31	$5,483	$5,483	$5,561	$5,641	$5,722
32	$5,561	$5,561	$5,641	$5,722	$5,794
33	$5,641	$5,641	$5,722	$5,794	$5,909
34	$5,722	$5,722	$5,794	$5,909	$6,027

35	$5,794	$5,794	$5,909	$6,027	$6,148
36	$5,909	$5,909	$6,027	$6,148	$6,271
37	-	$6,027	$6,148	$6,271	$6,396
38	-	-	$6,271	$6,396	$6,524
39	-	-	$6,396	$6,524	$6,654
40	-	-	-	$6,654	$6,787
41	-	-	-	$6,787	$6,923
42	-	-	-	-	$7,061

2014-2015 Principal and Assistant Principal Salary Schedules

	Classification			
Years of Exp	Prin V	Prin VI	Prin VII	Prin VIII
(44-54)	(55-65)	(66-100)	(101+)	
0-19	$4,918	-	-	-
20	$4,983	-	-	-
21	$5,050	$5,119	-	-
22	$5,119	$5,188	$5,335	-
23	$5,188	$5,263	$5,409	$5,483
24	$5,263	$5,335	$5,483	$5,561
25	$5,335	$5,409	$5,561	$5,641
26	$5,409	$5,483	$5,641	$5,722
27	$5,483	$5,561	$5,722	$5,794
28	$5,561	$5,641	$5,794	$5,909
29	$5,641	$5,722	$5,909	$6,027
30	$5,722	$5,794	$6,027	$6,148
31	$5,794	$5,909	$6,148	$6,271
32	$5,909	$6,027	$6,271	$6,396
33	$6,027	$6,148	$6,396	$6,524
34	$6,148	$6,271	$6,524	$6,654
35	$6,271	$6,396	$6,654	$6,787
36	$6,396	$6,524	$6,787	$6,923
37	$6,524	$6,654	$6,923	$7,061
38	$6,654	$6,787	$7,061	$7,202
39	$6,787	$6,923	$7,202	$7,346
40	$6,923	$7,061	$7,346	$7,493
41	$7,061	$7,202	$7,493	$7,643
42	$7,202	$7,346	$7,643	$7,796
43	$7,346	$7,493	$7,796	$7,952
44	-	$7,643	$7,952	$8,111
45	-	$7,796	$8,111	$8,273
46+	-	-	$8,273	$8,438

SECTION 9.11.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

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

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

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

SECTION 9.11.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certified employee of the public schools and an additional step for every three years of experience serving as a principal on or before June 30, 2009. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 9.11.(d) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 9.11.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 9.11.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

SECTION 9.11.(g) Participants in an approved full-time master's in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 9.11.(h) During the 2013-2015 fiscal biennium, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 9.11.(i) Effective July 1, 2014, any person paid on the State Salary Schedule in the 2013-2014 school year and employed on July 1, 2014, who does not receive a salary increase on this salary schedule shall receive a nonrecurring salary bonus of eight hundred nine dollars ($809.00).

CENTRAL OFFICE SALARIES

SECTION 9.12. Section 35.13 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.13.(a)** The monthly salary ranges that follow, which apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, shall ~~remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.~~be increased by five hundred dollars ($500.00) annually as follows:

School Administrator I	~~$3,349~~$3,391	~~$6,281~~$6,323
School Administrator II	~~$3,550~~$3,592	~~$6,662~~$6,704
School Administrator III	~~$3,769~~$3,811	~~$7,068~~$7,110
School Administrator IV	~~$3,920~~$3,962	~~$7,349~~$7,391
School Administrator V	~~$4,078~~$4,120	~~$7,647~~$7,689
School Administrator VI	~~$4,326~~$4,368	~~$8,109~~$8,151
School Administrator VII	~~$4,500~~$4,542	~~$8,436~~$8,478

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

"**SECTION 35.13.(b)** The monthly salary ranges that follow, which apply to public school superintendents, shall ~~remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.~~be increased beginning July 1, 2014, as follows:

Superintendent I	~~$4,777~~$4,819	~~$8,949~~$8,991
Superintendent II	~~$5,071~~$5,113	~~$9,490~~$9,532
Superintendent III	~~$5,380~~$5,422	~~$10,067~~$10,109
Superintendent IV	~~$5,710~~$5,752	~~$10,679~~$10,721
Superintendent V	~~$6,060~~$6,102	~~$11,330~~$11,372

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

"**SECTION 35.13.(c)** Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

"**SECTION 35.13.(d)** Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

"**SECTION 35.13.(e)** The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

"**SECTION 35.13.(f)** The annual salaries of all permanent, full-time personnel paid from the Central Office Allotment shall ~~remain unchanged for the 2013-2015 fiscal biennium.~~be increased by five hundred dollars ($500.00)."

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.13. Section 35.14 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.14.** The annual salary for permanent, full-time ~~and part-time~~ noncertified public school employees whose salaries are supported from the State's General Fund shall be ~~remain unchanged for the 2013-2015 fiscal biennium.~~increased by five hundred dollars ($500.00). Part-time, noncertified public school employees shall receive the increase authorized by this section on a prorated and equitable basis."

PART X. COMMUNITY COLLEGES

PROCESS FOR PERIODICALLY REVISING ENROLLMENT TIERS

SECTION 10.2. The State Board of Community Colleges shall develop a process for periodically reviewing and revising how courses and programs are classified into tiers in the enrollment funding model. The process shall be developed by March 1, 2015, and reported to the Office of State Budget and Management and the Fiscal Research Division of the North Carolina General Assembly.

The State Board of Community Colleges shall identify those courses and programs in high-need areas and may suggest any revisions to the model. These revisions shall be submitted as part of their budget requests for the 2017-2019 fiscal biennium.

REVENUES/EXPENDITURES/FEES COLLECTED AND ASSESSED BY THE MANUFACTURING SOLUTIONS CENTER AND THE TEXTILE TECHNOLOGY CENTER

SECTION 10.3. The State Board of Community Colleges shall report, no later than January 15, 2015, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management a summary of the revenues and expenditures for the Manufacturing Solutions Center at Catawba Valley Community College and for the Textile Technology Center at Gaston College during the 2012-2013 and 2013-2014 fiscal years. The report shall include information on the structure of the fees assessed and the total fees collected by each Center.

JLEOC STUDY ON VOCATIONAL TRAINING FOR INDIVIDUALS WITH INTELLECTUAL DISABILITIES

SECTION 10.4.(a) The Joint Legislative Education Oversight Committee shall study at least the following issues related to vocational training for individuals with intellectual disabilities:

(1) Model programs for implementation on a systemwide basis at community college campuses and constituent institutions of The University of North Carolina for training and developing vocational expertise and job readiness in students with intellectual disabilities.
(2) Enhancing employment outcomes for individuals with intellectual disabilities.
(3) Barriers to employment for individuals with intellectual disabilities.
(4) Establishment and expansion of partnerships between community colleges, constituent institutions of The University of North Carolina, the Department of Health and Human Services, Division of Vocational Rehabilitative Services, and community-based organizations that offer job training and job placement opportunities for individuals with intellectual disabilities.
(5) Policies for ensuring that students with intellectual disabilities are prepared for higher educational opportunities upon completion of their elementary and secondary school education.
(6) Policies for transition planning and job training for students with intellectual disabilities as they complete their elementary and secondary school education.

SECTION 10.4.(b) The Joint Legislative Education Oversight Committee shall report the results of the study required by subsection (a) of this section to the General Assembly prior to the convening of the 2015 General Assembly.

EXTEND AUTHORITY TO REORGANIZE THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 10.5. Section 10.1(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 10.1.(b)** This section expires ~~June 30, 2014.~~June 30, 2015."

PERMIT THE BOARD OF COMMUNITY COLLEGES TO TRANSFER CERTAIN FUNDS TO DEPARTMENT OF COMMERCE TO OFFSET APPRENTICESHIP FEES

SECTION 10.6.(a) Notwithstanding any other provision of law, of the funds appropriated by this act for the Customized Industry Training Program for the 2014-2015 fiscal year, the State Board of Community Colleges shall transfer three hundred thousand dollars ($300,000) to the Department of Commerce to offset fee revenue lost when apprenticeship fees assessed pursuant to G.S. 94-12 are waived.

SECTION 10.6.(b) This section shall expire June 30, 2015.

COMMUNITY COLLEGES AND UNC STUDY BILATERAL AGREEMENTS REGARDING TRANSFER PROCESS

SECTION 10.7.(a) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly study the various bilateral agreements and partnerships that exist between constituent institutions of The University of North Carolina and the community colleges throughout the State. The study shall specifically focus on those agreements and partnerships that aid in the transfer process and those agreements and partnerships that encourage or require students to complete some coursework at a community college before attending or transferring to a constituent institution. The study shall also provide

data on the agreements and partnerships, to the extent this information is available, on all of the following:

(1) A description of the agreement or partnership;
(2) The number of years it has been in existence;
(3) The number of participants by year; and
(4) An analysis of student outcomes after a transfer under the agreement or partnership.

SECTION 10.7.(b) The findings of the study shall be reported to the Joint Legislative Education Oversight Committee and the Senate Appropriations Committee on Education/Higher Education and the House Appropriations Subcommittee on Education by February 1, 2015. The final report shall also include recommendations on replication and expansion possibilities for the various agreements and partnerships.

GUILFORD TECHNICAL COMMUNITY COLLEGE PROPERTY LEASE

SECTION 10.9.(a) Section 1 of S.L. 2011-153 reads as rewritten:

"**SECTION 1.** Notwithstanding G.S. 115D-15, Article 12 of Chapter 160A of the General Statutes, Chapter 66 of the General Statutes, or any other provision of law, the board of trustees of Guilford Technical Community College may lease at private sale to ~~The North Carolina Center for Global Logistics, LLC,~~ GTCC Innovative Resources Corporation or its successor in interest a portion of its land and improvements now or hereafter located on the Donald W. Cameron Campus of Guilford Technical Community College. The terms and conditions of the lease shall be set by the board of trustees of Guilford Technical Community College and may include rental at less than fair market value. The lease shall not be subject to the prior approval of the State Board of Community Colleges."

SECTION 10.9.(b) Section 3 of S.L. 2011-153 reads as rewritten:

"**SECTION 3.** Notwithstanding G.S. 66-58(a), the personnel and facilities of Guilford Technical Community College may, with the consent of the trustees of the college, be used (i) in support of economic development through the operation of the Donald W. Cameron Campus of Guilford Technical Community College and its companion facilities as an event ~~venue.~~venue, (ii) by, for, or in connection with GTCC Innovative Resources Corporation, an affiliated nonprofit corporation that is a supporting organization of the college, or its successor in interest, or (iii) for both purposes. Proceeds generated shall be used either to pay the operational costs of the college's facilities, to support the event venue, or to support the mission of the college."

PART XI. UNIVERSITIES

STRATEGIC PLAN AND DISTINGUISHED PROFESSOR ENDOWMENT FUND

SECTION 11.1.(a) Notwithstanding the provisions of G.S. 116-11 and G.S. 116-30.2, the Board of Governors and the campuses of the constituent institutions shall consider reducing State funds for centers and institutes, speaker series, and other nonacademic activities by up to fifteen million dollars ($15,000,000); if reductions are taken, then the Board of Governors may use those reductions to do either or both of the following:

(1) Provide a State match of up to ten million dollars ($10,000,000) for gifts from private sources for the Distinguished Professors Endowment Trust Fund.
(2) Expend up to five million dollars ($5,000,000) to implement provisions of The University of North Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North Carolina Compact with North Carolina." These funds are in addition to the fifteen million dollars ($15,000,000) that may be expended pursuant to subsection (h) of Section 11.13 of S.L. 2013-360.

SECTION 11.1.(b) Notwithstanding the provisions of G.S. 116-41.13 through G.S. 116-41.19, for the 2014-2015 fiscal year, no State match shall be required to use donations and gifts that were or are intended by the donor as matching funds for a State appropriation for distinguished professorships. If the terms of a particular donation or gift require a State match, then this subsection shall not apply without the written consent of the donor.

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 11.2. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars ($29,000,000) to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

UNC BUDGET REDUCTIONS

SECTION 11.3. Notwithstanding any other provisions of this act, no reduction in State funds except reductions based on enrollment growth model changes or tuition increases, shall be allocated to any of the following:

(1) Any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" under the Carnegie Classification of Institutions of Higher Education.

(2) Any special responsibility constituent institution which has been granted a basic type designation of "Baccalaureate Colleges–Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education.

(3) Any constituent high school of The University of North Carolina.

REPORT ON INSTITUTIONAL TRUST FUNDS

SECTION 11.4. G.S. 116-36.1(e) reads as rewritten:

"(e) Each institution shall submit such reports or other information concerning its trust fund accounts as may be required by the ~~Board.~~Board or by the Director of the Budget."

REPORT ON ACADEMIC SUMMER BRIDGE

SECTION 11.5. No later than January 1, 2015, the Board of Governors of The University of North Carolina shall report to the Office of State Budget and Management and the Joint Legislative Education Oversight Committee on the impact of Academic Summer Bridge programs on student outcomes. At a minimum, the report shall include information by institution on graduation rates, average time to degree, and student academic performance at multiple intervals over a four-year course of study.

OPERATION OF 4-H CAMPS AND USE OF VARIOUS SITES OF DEFUNCT 4-H CAMPS AND TRANSFER 4-H CAMP SERTOMA/MOORE SPRINGS TO THE STATE PARKS SYSTEM.

SECTION 11.7.(a) Part 5 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-43.20. Operation of 4-H camps.**

(a) North Carolina State University shall not close the 4-H camps listed in subdivisions (1) through (3) of this subsection. Further, North Carolina State University shall continue to operate each of those camps as 4-H camps and to offer programs and services at the sites of each of those camps at a level that is at least equivalent to the programs and services offered at each site as of June 30, 2013. The following three 4-H camps are to continue and are to be operated as 4-H camps as provided by this subsection:

(1) Eastern 4-H Center located in Columbia, NC.

(2) Millstone 4-H Camp located near Ellerbe, NC.

(3) Betsy-Jeff Penn 4-H Educational Center located near Reidsville, NC.

(b) The 4-H camps that were located at the sites listed in subdivisions (1) and (2) of this subsection have ceased to operate as 4-H camps. At the request of the board of county commissioners of any county that is the site of one of the defunct 4-H camps listed in this subsection, North Carolina State University shall consult with the board regarding actions that may be taken to reopen the 4-H camp in that county and other options that may be available for the use of the site.

Within 90 days after any consultation with a board of county commissioners conducted pursuant to this subsection, North Carolina State University shall submit a written report to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division regarding the feasibility of reopening the site as a 4-H camp and any other options considered for the use of the site.

The list of defunct 4-H camps follows:

(1) Anita-Alta 4-H Camp in the Pisgah National Forest in Lenoir, NC.

(2) Swannanoa 4-H Camp located at Swannanoa, NC.

(c) North Carolina State University shall take all practicable measures to operate the 4-H camps in a manner that will generate a positive fund balance in the institutional trust funds that account for the activities of the 4-H camps."

SECTION 11.7.(b) Article 7 of Chapter 146 of the General Statutes is amended by adding a new section to read:

"**§ 146-30.1. Application of net proceeds of disposition or use of real property allocated to the 4-H Camping Program.**

(a) Limitation. – Notwithstanding G.S. 146-30 or any other provision of law, and subject to the limitations contained in any applicable deed, the net proceeds of any disposition of, use of, or activity on real property allocated to the 4-H Camping Program shall be used solely for the operation of the 4-H Camping Program, for the acquisition of real property for the 4-H Camping Program, or for the funding of an endowment to support these purposes. These proceeds shall not be used to pay any debt or other financial obligation owed to a State agency that arose prior to the effective date of this section.

(b) Definition of Net Proceeds. – For purposes of this section, the term "net proceeds" shall have the same meaning as in G.S. 146-30.

(c) No Supplanting of General Fund Support. – It is the intent of the General Assembly that appropriations for the 4-H Camping Program not be reduced as a result of the realization of proceeds under this section. Instead, the General Assembly intends that the amount of appropriations be determined as if no proceeds had been realized under this section. The Director of the Budget shall not decrease the recommended continuation budget requirements for the 4-H Camping Program as a result of proceeds being realized under this section.

(d) Proceeds Must Be Appropriated. – Nothing in this section shall be construed to appropriate the proceeds described in this section."

SECTION 11.7.(c) If on the effective date of this section the net proceeds of any use of, or activity on, real property allocated to the 4-H Camping Program are being used in a manner prohibited by G.S. 146-30.1, then notwithstanding that section they may continue to be used in that manner.

SECTION 11.7.(d) The Department of Administration shall reallocate all of the approximately 716 acres of State-owned real property that is part of Camp Sertoma/Moore Springs property to the Department of Environment and Natural Resources. The General Assembly authorizes the Department of Environment and Natural Resources to add this property to the State Parks System as provided in G.S. 113-44.14(b).

SECTION 11.7.(e) Of the funds appropriated by this act for the 2014-2015 fiscal year to the Board of Governors of The University of North Carolina for North Carolina State University the sum of seven hundred twenty-five thousand dollars ($725,000) in recurring funds shall be allocated equally among all operating 4-H camps, including any currently defunct 4-H camp that reopens and operates as a 4-H camp. The funds allocated under this section shall be used for the operation, repair, and renovation of operating 4-H camps.

STUDY FINANCIAL AID PAYMENT SCHEDULE TO INCENTIVIZE THIRTY COMPLETED HOURS PER YEAR AND IMPLEMENT REVISED PAYMENT SCHEDULE

SECTION 11.8. Section 11.15(h) of S.L. 2013-360 reads as rewritten:

"**SECTION 11.15.(h)** The State Education Assistance ~~Authority shall structure its payment schedule~~ Authority, in consultation with The University of North Carolina, the North Carolina Community College System, and the North Carolina Independent Colleges and Universities, shall study ways to structure its financial aid payment schedules to encourage students to complete an average of 30 credit hours per academic year. The State Education Assistance Authority shall make an interim report to the Joint Legislative Education Oversight Committee by ~~March 1, 2014, regarding the measures implemented by the Authority pursuant to this subsection.~~March 1, 2015, on its progress or lack thereof in developing such schedules and shall make a final report to the Joint Legislative Education Oversight Committee by October 1, 2015, about the financial aid payment schedules it proposes to implement.

After submitting its final report to the Joint Legislative Education Oversight Committee, the State Education Assistance Authority shall structure its payment schedules to encourage students to complete an average of 30 credit hours per academic year. The revised payment

schedules shall be in place for financial aid awards made for the 2016-2017 academic year and all subsequent academic years."

UNC FACULTY TUITION WAIVER

SECTION 11.9.(a) G.S. 116-143(d) reads as rewritten:

"(d) Notwithstanding the above provision relating to the abolition of free tuition, the Board of Governors of The University of North Carolina may, in its discretion, provide regulations under which a full-time faculty member of the rank of full-time instructor or above, and any full-time staff member of The University of North Carolina may during the period of normal employment enroll for not more than ~~two~~ three courses per year in The University of North Carolina free of charge for ~~tuition,~~ tuition and fees, provided such enrollment does not interfere with normal employment obligations and further provided that such enrollments are not counted for the purpose of receiving general fund appropriations."

SECTION 11.9.(b) This section applies to the 2014-2015 fall academic semester and each subsequent academic semester.

STATE EDUCATION ASSISTANCE AUTHORITY TO ASSUME RESPONSIBILITY FOR TEACHING FELLOWS PROGRAM SCHOLARSHIP LOANS

SECTION 11.10.(a) The Office of State Budget and Management shall transfer to the State Education Assistance Authority the cash balance remaining in the Teaching Fellows Trust Fund as of February 16, 2015. The funds shall be taken from Budget Code 63501 unless otherwise determined by the Office of State Budget and Management. The North Carolina Teaching Fellows Commission shall make scholarship loan awards for the 2015 spring academic semester prior to the transfer of the cash balance from the Teaching Fellows Trust Fund. The Office of State Budget and Management shall work with the State Education Assistance Authority to determine the schedule for implementing the transfer of funds; however, the transfer of funds required by this section shall be completed no later than February 16, 2015.

SECTION 11.10.(b) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.27. Administration of scholarships previously awarded by Teaching Fellows Program.**

(a) The Authority shall, as of March 1, 2015, administer all outstanding scholarship loans previously awarded by the former North Carolina Teaching Fellows Commission and subject to repayment under the former Teaching Fellows Program.

(b) Scholarship loans previously awarded by the North Carolina Teaching Fellows Commission by notes payable to the Commission shall be deemed payable to the Authority, as the successor in interest to the North Carolina Teaching Fellows Commission, by the same terms stated in the note.

(c) All funds received by the Authority in association with its administration of the Teaching Fellows Program, including all funds received as repayment of scholarship loans and all interest earned on these funds, shall be deposited into the Forgivable Education Loans for Service Fund established in G.S. 116-209.45."

SECTION 11.10.(c) The North Carolina Teaching Fellows Commission shall deliver to the State Education Assistance Authority, in a format acceptable to the Authority, complete electronic and paper records on (i) all outstanding scholarship loans previously awarded but not canceled by service or otherwise satisfied in full as of the date of delivery, including records of applicable teaching service performed to that date, and (ii) aggregate historical data on the numbers of loans made that are no longer active and, of those, numbers and dollars paid in cash, paid in service, or written off due to death, disability, or uncollectible debt.

Prior to the transfer of any such outstanding scholarship loan and related records, the North Carolina Teaching Fellows Commission shall discharge its reporting obligations under G.S. 147-86.26 and specifically confirm for the Authority that no account subject to write-off in accordance with the Statewide Accounts Receivable Program has been transferred under this section.

SECTION 11.10.(d) Notwithstanding G.S. 115C-363.23A(f), the Public School Forum may use up to four hundred thousand dollars ($400,000) during the 2014-2015 fiscal year from the Teaching Fellows Trust Fund balance for costs associated with administration of

the Teaching Fellows Program, provided that these funds are withdrawn from the Teaching Fellows Trust Fund balance prior to February 16, 2015.

SECTION 11.10.(e) The State Education Assistance Authority, as administrator for the Teaching Fellows Program, may use up to seventy-five thousand dollars ($75,000) for the 2014-2015 fiscal year of the fund balance for the Forgivable Education Loans for Service Fund for expenses related to accepting and beginning its administration of the Teaching Fellows Program, including the conversion of the data.

SECTION 11.10.(f) Section 1.38(a) of S.L. 2011-266 reads as rewritten:

"**SECTION 1.38.(a)** Effective ~~July 1, 2015,~~ March 1, 2015, Part 2 of Article 24C of Chapter 115C of the General Statutes, G.S. 115C-363.22 through G.S. 115C-363.23A, is repealed."

SECTION 11.10.(g) G.S. 116-209.45(h) reads as rewritten:

"(h) Use of Fund Monies. – All funds appropriated to or otherwise received by the Authority to provide loans through the Program, all funds received as repayment of loans, and all interest earned on these funds shall be placed in the Fund. The Fund shall be used only for loans made pursuant to this section and for administrative costs of the ~~Authority.~~Authority, including costs of administering the former Teaching Fellows Program transferred to the Authority under G.S. 116-209.27."

REPORT ON COLLEGE FOUNDATION OF NORTH CAROLINA SUSTAINABILITY

SECTION 11.11. No later than December 1, 2014, the State Education Assistance Authority shall report to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on its progress toward funding operations of the College Foundation of North Carolina entirely from non-General Fund sources. This report shall include all of the following:

(1) The status of fundraising efforts to date.
(2) A detailed plan and time line for generating additional revenues.
(3) Estimated expenditures and revenues by type for the next four fiscal years.
(4) Potential reduction measures and alternative funding options should General Fund appropriations not be provided in the next biennium.

TUITION ASSISTANCE TO VETERANS WHO PARTICIPATE IN THE YELLOW RIBBON PROGRAM AND THEIR SPOUSES AND DEPENDENT RELATIVES

SECTION 11.12.(a) Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.8. Tuition assistance for certain veterans and their dependents.**

(a) The following definitions apply in this section:

(1) Institution of higher education. – Has the same meaning as in G.S. 116-143.1(a)(1).
(2) Yellow Ribbon Program. – Yellow Ribbon G.I. Education Enhancement Program, 38 U.S.C. § 3317.

(b) Either the Board of Governors of The University of North Carolina or one or more constituent institutions shall annually enter into an agreement with the United States Secretary of Veterans Affairs to participate in the Yellow Ribbon Program. The State Board of Community Colleges or one or more community colleges shall annually enter into an agreement with the United States Secretary of Veterans Affairs to participate in the Yellow Ribbon Program. The agreements shall include all of the following terms:

(1) A grant of ninety percent (90%) of the cost of tuition and mandatory fees not otherwise covered shall be provided for every eligible veteran or eligible spouse or dependent relative of a veteran who is enrolled or will be enrolled as an undergraduate student at a constituent institution or as a student at a community college.
(2) To be eligible for grants under the Yellow Ribbon Program, a student must meet all program requirements established by the federal government. In addition, to be eligible for a Yellow Ribbon grant in which the school share of the grant is paid with State appropriation, a student must be enrolled as an undergraduate student at a constituent institution or as a student at a North Carolina community college.

(c) This section is not intended to prohibit constituent institutions from using private funds to provide Yellow Ribbon grants for students enrolled in master's or doctoral level programs.

(d) The General Assembly encourages private institutions of higher education in North Carolina to participate in the Yellow Ribbon Program."

SECTION 11.12.(b) It is the intent of the General Assembly to establish two reserve funds for the purpose of forward funding tuition assistance to students who participate in the Yellow Ribbon Program. Therefore, the General Assembly establishes the two following reserve funds:

(1) There is established the UNC Yellow Ribbon Reserve to be managed by the Board of Governors of The University of North Carolina. Of the funds appropriated by this act to the Board of Governors, the sum of four million eight hundred sixty-three thousand two hundred seventy-six dollars ($4,863,276) shall be allocated to the UNC Yellow Ribbon Reserve and shall be held in reserve for the 2014-2015 fiscal year. Beginning with the 2015-2016 fiscal year, the funds in the UNC Yellow Ribbon Reserve shall be used to fund undergraduate tuition assistance to participants in the Yellow Ribbon Program for the 2015-2016 academic year and each subsequent academic year.

(2) There is established the Community College Yellow Ribbon Reserve to be managed by the State Board of Community Colleges. Of the funds appropriated by this act to the Community Colleges System Office, the sum of one million dollars ($1,000,000) shall be allocated to the Community College Yellow Ribbon Reserve and shall be held in reserve for the 2014-2015 fiscal year. Beginning with the 2015-2016 fiscal year, the funds in the Community College Yellow Ribbon Reserve shall be used to fund tuition assistance to participants in the Yellow Ribbon Program for the 2015-2016 academic year and each subsequent academic year.

SECTION 11.12.(c) The Board of Governors and the State Board of Community Colleges shall each report to the Joint Legislative Education Oversight Committee by January 1, 2015, regarding their planned participation in the Yellow Ribbon Program for the 2015-2016 academic year. Each report shall include the following information:

(1) The number and identity of constituent institutions or community colleges that will participate in the Yellow Ribbon Program.

(2) The methodology used by each governing board to select the institutions of higher education that will participate in the Yellow Ribbon Program.

(3) For each institution that will participate, the maximum number of students and the maximum award amount per student.

(4) A list of the institutions of higher education that will not participate in the Yellow Ribbon Program and the reason each institution is not participating.

SECTION 11.12.(d) Subsection (a) of this section applies to the 2015-2016 academic year and each subsequent academic year.

HEALTH CARE EDUCATION/PUBLIC PRIVATE PARTNERSHIP

SECTION 11.14. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use two million dollars ($2,000,000) in the 2014-2015 fiscal year to support Union Square Campus, Inc., a nonprofit entity, that will build a facility to house nursing programs for North Carolina A&T State University, the University of North Carolina at Greensboro, and Guilford Technical Community College, as well as the training facilities for Cone Health Cardiovascular Physician Management Company, Inc.

STUDY UNIVERSITY TUITION

SECTION 11.15.(a) The Joint Legislative Education Oversight Committee shall study the increasing cost of attendance for resident and nonresident students attending The University of North Carolina. In doing so, the Committee shall consider, at a minimum, all of the following:

(1) The tuition and mandatory fees at the constituent institutions of The University of North Carolina.

(2) How changes in tuition and fees in recent years have compared to overall economic inflation.
(3) The funding available to offset increases in the cost of attendance, which could include non-General Fund revenues and the availability of State- and non-State-funded financial aid.
(4) The tuition cost controls or limits that may have been implemented in other states.
(5) The desirability of encouraging students seeking an undergraduate degree to enroll first in a community college for college credit and then enroll in a constituent institution to complete the requirements for the undergraduate degree.

SECTION 11.15.(b) The Joint Legislative Education Oversight Committee shall report the results of the study required by subsection (a) of this section to the General Assembly prior to the convening of the 2015 General Assembly.

UNC REVERSIONS

SECTION 11.17.(a) G.S. 116-30.3 reads as rewritten:

"**§ 116-30.3. Reversions.**

(a) ~~Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution, except for the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward by the institution to the next fiscal year and is appropriated for one-time expenditures that will not impose additional financial obligations on the State. Of the General Fund current operations appropriations credit balance remaining in the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and is appropriated for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143C-6-2 shall establish the General Fund current operations credit balance remaining in each budget code of each institution.~~Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each of the budget codes listed in this subsection, any amount of the General Fund appropriation for that budget code for that fiscal year (i) may be carried forward to the next fiscal year in that budget code, (ii) is appropriated in that budget code, and (iii) may be used for any of the purposes set out in subsection (f) of this section. However, the amount carried forward in each budget code under this subsection shall not exceed two and one-half percent (2.5%) of the General Fund appropriation in that budget code. The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall establish the General Fund current operations credit balance remaining in each budget code.

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

(1) Each special responsibility constituent institution.
(2) The Area Health Education Centers of the University of North Carolina at Chapel Hill.
(3) General Administration Budget Code 16010.

(b) Repealed by Session Laws 1998-212, s. 11(b).
(c) Repealed by Session Laws 1998-212, s. 11(a).
(d) Repealed by Session Laws 1998-212, s. 11(b).
(e) ~~Notwithstanding G.S. 143C-1-2 of the General Fund current operations appropriations credit balance remaining in Budget Code 16010 of the Office of General Administration of The University of North Carolina, any amount of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and is appropriated for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this subsection shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall establish the General Fund~~

~~current operations credit balance remaining in Budget Code 16010 of the Office of General Administration of The University of North Carolina. The funds shall not be used to support positions.~~

(f) Funds carried forward pursuant to subsection (a) of this section may be used for one-time expenditures, provided, however, that the expenditures shall not impose additional financial obligations on the State and shall not be used to support positions."

SECTION 11.17.(b) G.S. 116-14(b2) reads as rewritten:

"(b2) The President, in consultation with the State Auditor and the Director of the Office of State Human Resources, shall ascertain that the management staff and internal financial controls are in place and continue in place to successfully administer the additional authority authorized under G.S. 116-14(b1) and ~~G.S. 116-30.3(e).~~ G.S. 116-30.3. All actions taken by the President pursuant to G.S. 116-14(b1) and ~~G.S. 116-30.3(e)~~ G.S. 116-30.3 are subject to audit by the State Auditor."

SECTION 11.17.(c) This section applies to the 2014-2015 fiscal year and each subsequent fiscal year.

UNC SET NONRESIDENT TUITION RATES

S**ECTION 11.18.** Notwithstanding the provisions of S.L. 2013-360, the Board of Governors of The University of North Carolina may set nonresident undergraduate tuition rates for the 2014-2015 fiscal year at any level deemed appropriate by the Board of Governors; however, the systemwide total in new tuition receipts due to these changes must be at least twenty-seven million two hundred forty-three thousand one hundred fifty-seven dollars ($27,243,157) for the 2014-2015 fiscal year.

UNC STRATEGIC PLAN FUNDS

SECTION 11.19. Section 11.13 of S.L. 2013-360 reads as rewritten:

"**SECTION 11.13.** Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium, the Board of Governors may spend a sum of up to fifteen million dollars ($15,000,000) ~~for the 2013-2014 fiscal year and a sum of up to fifteen million dollars ($15,000,000) for the 2014-2015 fiscal year~~on a recurring basis to implement provisions of The University of North Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North Carolina Compact with North Carolina. These funds are in addition to any new funds appropriated for The University of North Carolina by this act."

REPORT ON FUNDING OF STATE MEDICAL SCHOOLS

SECTION 11.20. The University of North Carolina System, working with the appropriate constituent institutions and health systems, shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on how the medical schools are funded. The report shall include a detailed explanation of the sources of all income within both a current and historical context, noting any changes in funding sources and amounts over time. The report shall also include a detailed explanation of operating expenses so that they may be compared to income. The report required by this section is due by October 1, 2014, and shall be based on the most recent audited fiscal year practicable.

STUDY ON ESTABLISHMENT OF NEW OPTOMETRY SCHOOLS

SECTION 11.21.(a) By December 1, 2014, the Board of Governors of The University of North Carolina shall evaluate and report to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division on the feasibility of establishing a school of optometry at one or more of the following constituent institutions:

(1) The University of North Carolina at Chapel Hill.
(2) The University of North Carolina at Pembroke.
(3) East Carolina University.
(4) Elizabeth City State University.
(5) Fayetteville State University.
(6) North Carolina Agricultural and Technical State University.
(7) North Carolina Central University.

(8) Winston-Salem State University.

SECTION 11.21.(b) The report by the Board of Governors pursuant to subsection (a) of this section shall include at least all of the following:

(1) A breakdown of any projected capital, operational, or other expenditures necessary for establishing and operating a school of optometry affiliated with the institution.

(2) A breakdown of all funds available to assist the institution with these expenses.

(3) A projected number of applicants for the affiliated school of optometry.

SECTION 11.21.(c) The North Carolina Independent Colleges and Universities, Inc., (NCICU) is encouraged to examine and report by December 1, 2014, to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the feasibility of establishing a school of optometry affiliated with an NCICU college or university. The report should include at least all of the following:

(1) A breakdown of any projected capital, operational, or other expenditures necessary for establishing and operating a school of optometry affiliated with the institution.

(2) A breakdown of all funds available to assist the institution with these expenses.

(3) A projected number of applicants for the affiliated school of optometry.

ECSU STUDY

SECTION 11.24.(a) The General Assembly finds that Elizabeth City State University had its origins established during the 1891 legislative session and is a key educational and economic resource for northeastern North Carolina. The Joint Legislative Education Oversight Committee shall evaluate and study strategies to address any financial or enrollment concerns.

SECTION 11.24.(b) The Joint Legislative Education Oversight Committee shall examine, at a minimum, any plans of The University of North Carolina Board of Governors or of Elizabeth City State University to restore Elizabeth City State University to more financially sustainable conditions, including the strategies described in Elizabeth City State University's March 2014, document titled, "Rightsizing ECSU: The Need for Financial Stability". Further, the General Assembly urges that, in conducting the study described in subsection (a) of this section, the JLEOC's work include consultation with the Board of Trustees of Elizabeth City State University and any other appropriate parties.

SECTION 11.24.(c) The Joint Legislative Education Oversight Committee shall report the results of the study required by this section to the General Assembly prior to the convening of the 2015 General Assembly. The report shall include recommendations, if any, for actions by the General Assembly to address such financial and enrollment concerns.

NCSU NEXT GENERATION POWER ELECTRONICS INNOVATION INSTITUTE STATE MATCHING FUNDS/OSBM TO ADJUST UNC BASE BUDGET WHEN STATE MATCH PLEDGE IS FULFILLED

SECTION 11.25 By making the two million dollar ($2,000,000) appropriation in this act to North Carolina State University for the Next Generation Power Electronics Innovation Institute a recurring appropriation, it is the intent of the General Assembly (i) to provide funding of two million dollars ($2,000,000) per year for five years in order to provide a total of ten million dollars ($10,000,000) in State funds that shall be used as a match for federal National Network for Manufacturing Innovation for Wide Bandgap Semiconductors funds and (ii) that thereafter no further funds shall be appropriated for this purpose. Accordingly, the Office of State Budget and Management shall remove this two million dollar ($2,000,000) annual appropriation from the UNC System base budget once this funding pledge has been fulfilled."

UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/ESCHEAT FUNDS

SECTION 11.26 Section 11.2 of S.L. 2013-360 reads as rewritten:

"**SECTION 11.2.(a)** It is the intent of the General Assembly to move the UNC Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student

Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are awarded to students for the following academic year. This change will provide additional program stability.

"**SECTION 11.2.(b)** The UNC Need-Based Financial Aid Forward Funding Reserve (Reserve) is established as a reserve in the North Carolina Student Loan Fund. The funds in the UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve for the 2013-2014 fiscal year and for the 2014-2015 fiscal year. Beginning with the 2015-2016 fiscal year, the funds in the Reserve shall be used to fund grants from the UNC Need-Based Financial Aid Program for the 2015-2016 program year and each subsequent program year.

"**SECTION 11.2.(c)** Section 6.11(e) of this act appropriates funds from the Education Lottery Fund in the amount of thirty-two million five hundred thirty thousand three hundred fifty-nine dollars ($32,530,359) for the 2013-2014 fiscal year ~~and in the amount of nineteen million one hundred thirty thousand seven hundred twenty-eight dollars ($19,130,728) for the 2014-2015 fiscal year~~ to the Reserve. The following funds shall also be transferred to the Reserve:

(1) The sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall be transferred from the North Carolina Student Loan Fund to the Reserve.

(2) Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium, the sum of three million four hundred seventy-five thousand five hundred thirty-eight dollars ($3,475,538) for the 2013-2014 fiscal year and the sum of three million four hundred fifty-four thousand six hundred fifty-six dollars ($3,454,656) for the 2014-2015 fiscal year shall be transferred to the Reserve.

(3) Notwithstanding G.S. 115C-296.2, the sum of three million five hundred twenty-five thousand dollars ($3,525,000) shall be transferred from the fund balance of the National Board Certification Loan program to the Reserve.

(4) The sum of five hundred thousand dollars ($500,000) shall be transferred from the John B. McLendon Scholarship Fund established in G.S. 116-209.40 to the Reserve.

"**SECTION 11.2.(d)** G.S. 116-209.40 is repealed.

"**SECTION 11.2.(e)** There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of nineteen million one hundred thirty thousand seven hundred twenty-eight dollars ($19,130,728) for the 2014-2015 fiscal year for the Reserve."

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

HHS COMPETITIVE GRANTS PROCESS REVISIONS

SECTION 12A.1. Section 12A.2 of S.L. 2013-360 reads as rewritten:

"**FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE GRANTS PROCESS**

"**SECTION 12A.2.(a)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of nine million five hundred twenty-nine thousand one hundred thirty-four dollars ($9,529,134) in recurring funds for ~~each year of the 2013-2015 fiscal biennium,~~the 2013-2014 fiscal year and the sum of nine million one hundred three thousand nine hundred eleven dollars ($9,103,911) in recurring funds for the 2014-2015 fiscal year, the sum of three hundred seventeen thousand four hundred dollars ($317,400) in nonrecurring funds for each year of the 2013-2015 fiscal biennium, and the sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in Section 12J.1 of this act in Social Services Block Grant funds for each year of the 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

…

"**SECTION 12A.2.(d)** It is the intent of the General Assembly that, beginning fiscal year 2014-2015, the Department implement a competitive grants process for nonprofit funding. To that end, the Department shall develop a plan that establishes a competitive grants process to be

administered by the Division of Central Management and Support. The Department shall develop a plan that, at a minimum, includes each of the following:

(1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis.

(2) A requirement that nonprofits match a minimum of ten percent (10%) of the total amount of the grant award.

(3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.

(4) A process that awards grants to nonprofits ~~dedicated to providing~~that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:

a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.

~~b. A comprehensive program of education, advocacy, and support related to brain injury and those affected by brain injury.~~

c. A system of residential supports for those afflicted with substance abuse addiction.

d. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.

e. Supports and services to children and adults with developmental disabilities or mental health diagnoses.

f. A food distribution system for needy individuals.

g. The provision and coordination of services for the homeless.

h. The provision of services for individuals aging out of foster care.

i. Programs promoting wellness, physical activity, and health education programming for North Carolinians.

j. A program focused on enhancing vision screening through the State's public school system.

k. Provision for the delivery of after-school services for apprenticeships or mentoring at-risk youth.

l. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.

m. The provision of assistive information technology services for blind and disabled persons.

n. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.

(5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

…

"**SECTION 12A.2.(h)** For fiscal year 2014-2015 only, from the sum of nine million one hundred three thousand nine hundred eleven dollars ($9,103,911) referred to in subsection (a) of this section, the Department shall allocate the sum of one hundred seventy-five thousand dollars ($175,000) to St. Gerard House for the purpose of assisting individuals with autism spectrum disorders (ASD), learning disabilities, developmental delays, and behavioral health needs. St. Gerard House shall be required to seek future funding through the competitive grants process in accordance with subsection (d) of this section."

FUNDS FOR STATEWIDE HEALTH INFORMATION EXCHANGE

SECTION 12A.2.(a) It is the intent of the General Assembly:

(1) To maximize receipt of federal funds for administration and support of the statewide health information exchange network (HIE Network).

(2) To allow the North Carolina Health Information Exchange (NC HIE), the nonprofit corporation responsible for overseeing and administering the HIE Network, to receive the State's share of available federal funds for administration and support of the HIE Network in order to reduce the operating costs of the HIE Network by an amount sufficient to allow for the

elimination or reduction of the participation fee the NC HIE currently imposes on hospitals required to connect to the HIE Network pursuant to G.S. 90-413.3A.

(3) Beginning with the 2015-2016 fiscal year, to make the Department of Health and Human Services, Division of Central Management and Support, responsible for using State funds to draw down available matching federal funds for administration and support of the HIE Network.

SECTION 12A.2.(b) From the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the health information exchange for the 2014-2015 fiscal year, the Department shall allocate to the North Carolina Health Information Exchange, a nonprofit corporation, an amount sufficient to represent the State share for the maximum amount of approved federal matching funds for allowable Medicaid administrative costs related to the HIE Network.

SECTION 12A.2.(c) By March 1, 2015, the NC HIE shall report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on its use of (i) State appropriations allocated to the NC HIE pursuant to this section and (ii) federal matching funds received by the NC HIE for costs related to the HIE Network. The report shall include a detailed, audited report of all State and federal funds received by the NC HIE and all expenditures from these funds.

DEVELOPMENT OF PLAN TO IMPLEMENT SINGLE INFORMATION TECHNOLOGY SYSTEM FOR MEDICAID CLAIM ADJUDICATION BY LOCAL MANAGEMENT ENTITIES/MANAGED CARE ORGANIZATIONS

SECTION 12A.4.(a) Section 12A.4(j) of S.L. 2013-360 is repealed.

SECTION 12A.4.(b) Section 12A.4(k) of S.L. 2013-360, as amended by Section 4.11 of S.L. 2013-363, is repealed.

SECTION 12A.4.(c) Not later than December 1, 2014, the Department of Health and Human Services shall develop and submit to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and to the Fiscal Research Division a report on a plan to implement a single, stand-alone information technology system to be used for Medicaid claim adjudication by all local management entities, including local management entities approved to operate the 1915(b)/(c) Medicaid Waiver. Prior to submitting this report to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and to the Fiscal Research Division, the Department shall submit the plan for review by the Enterprise Project Management Office and make any changes deemed necessary by that Office. The Department shall not implement the plan until (i) it is reviewed by the Enterprise Project Management Office and (ii) submitted to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and to the Fiscal Research Division in accordance with this section.

FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION SYSTEM

SECTION 12A.5. Section 12A.4(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 12A.4.(a)** The Secretary of the Department of Health and Human Services may utilize prior year earned revenue received for the replacement MMIS in the amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars ($9,658,152) for the 2013-2014 fiscal year and in the amount of ~~one million six hundred sixty-six thousand six hundred twenty-five dollars ($1,666,625)~~ six million eight hundred ninety thousand six hundred dollars ($6,890,600) for the 2014-2015 fiscal year. In the event the Department does not receive prior year earned revenues in the amounts authorized by this section, or funds are insufficient to advance the project, the Department may, with prior approval from the Office of State Budget and Management (OSBM), utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the replacement MMIS."

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.6. Section 12A.6(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 12A.6.(a)** Funds appropriated in this act in the amount of eight hundred sixty-four thousand six hundred fifty-five dollars ($864,655) for State fiscal year 2014-2015 along with prior year earned revenue in the amount of four million one hundred thirty-eight thousand two dollars ($4,138,002) and the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST project."

SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES

SECTION 12A.7.(a) Notwithstanding any other provision of law, funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2014-2015 fiscal year for unpaid LME liabilities is reduced by the sum of two million dollars ($2,000,000) in nonrecurring funds, and that amount is instead allocated to the Department of Health and Human Services, Division of Central Management and Support, for the 2014-2015 fiscal year to provide temporary, short-term financial assistance in the form of a monthly payment to group homes on behalf of each resident who meets all of the following criteria:

(1) Was eligible for Medicaid-covered personal care services (PCS) prior to January 1, 2013, but was determined to be ineligible for PCS on or after January 1, 2013, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.

(2) Has continuously resided in a group home since December 31, 2012.

SECTION 12A.7.(b) These monthly payments shall be subject to all of the following requirements and limitations:

(1) The amount of the monthly payments authorized by this section shall not exceed four hundred sixty-four dollars and thirty cents ($464.30) per month for each resident who meets all criteria specified in subsection (a) of this section.

(2) A group home that receives the monthly payments authorized by this section shall not, under any circumstances, use these payments for any purpose other than providing, as necessary, supervision and medication management for a resident who meets all criteria specified in subsection (a) of this section.

(3) The Department shall make monthly payments authorized by this section to a group home on behalf of each resident who meets all criteria specified in subsection (a) of this section only for the period commencing July 1, 2014, and ending June 30, 2015, or upon depletion of the two million dollars ($2,000,000) in nonrecurring funds appropriated in this act to the Division of Central Management and Support for the 2014-2015 fiscal year for the purpose of this section, whichever is earlier.

(4) The Department shall make monthly payments authorized by this section only to the extent sufficient funds are available from the two million dollars ($2,000,000) in nonrecurring funds appropriated in this act to the Division of Central Management and Support for the 2014-2015 fiscal year for the purpose of this section.

(5) The Department shall not make monthly payments authorized by this section to a group home on behalf of a resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

(6) The Department shall terminate all monthly payments pursuant to this section on June 30, 2015, or upon depletion of the funds appropriated in this act to the Division of Central Management and Support for the 2014-2015 fiscal year for the purpose of this section, whichever is earlier.

(7) Each group home that receives the monthly payments authorized by this section shall submit to the Department a list of all funding sources for the operational costs of the group home for the preceding two years, in accordance with the schedule and format prescribed by the Department.

SECTION 12A.7.(c) The Department shall use an existing mechanism to administer these funds in the least restrictive manner that ensures compliance with this section and timely and accurate payments to group homes. The Department shall not, under any circumstances, use any portion of the two million dollars ($2,000,000) appropriated in this act to the Division of Central Management and Support for the purpose of this section for any other purpose.

SECTION 12A.7.(d) By no later than April 1, 2015, the Department of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the following:

(1) A detailed plan for a long-term solution for individuals residing in group homes who would like to continue residing in this setting and, as a result of an independent assessment, have been determined to need only supervision, medication management, or both.

(2) A list of funding sources for each group home that receives assistance authorized by this section, based on the information provided to the Department pursuant to subdivision (7) of subsection (b) of this section.

SECTION 12A.7.(e) Notwithstanding any provision of law to the contrary, if the Department of Health and Human Services fails to submit the detailed plan required by subsection (d) of this section by April 1, 2015, then any remaining balance of the funds appropriated for the purpose of this section as of that date shall revert to the General Fund and the Department shall terminate all monthly payments pursuant to this section.

SECTION 12A.7.(f) Nothing in this section shall be construed as an obligation by the General Assembly to appropriate funds for the purpose of this section, or as an entitlement by any group home, resident of a group home, or other person to receive temporary, short-term financial assistance under this section.

SECTION 12A.7.(g) As used in this act, "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3), and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

SECTION 12A.7.(h) This section expires June 30, 2015.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

CHILD CARE SUBSIDY RATES/REVISE CO-PAYMENTS AND ELIGIBILITY CRITERIA

SECTION 12B.1. Section 12B.3 of S.L. 2013-360 reads as rewritten:

"**CHILD CARE SUBSIDY RATES**

"**SECTION 12B.3.(a)** ~~The~~ Beginning October 1, 2014, the maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be ~~seventy-five percent (75%) of the State median income, adjusted for family size.~~determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0-5	200%
6-12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

"**SECTION 12B.3.(a1)** A child receiving child care subsidy based on seventy-five percent (75%) of the State median income shall continue to receive subsidy based on seventy-five percent (75%) of the State median income until the child's next eligibility redetermination by the Department, and at that redetermination, the child's income eligibility shall be based on the eligibility criteria set forth in subsection (a) of this section.

"**SECTION 12B.3.(b)** ~~Fees~~ Beginning October 1, 2014, fees for families who are required to share in the cost of care shall be established based on ~~a~~ ten percent (10%) of gross family ~~income and adjusted for family size. Fees shall be determined as follows:~~income. Co-payments shall not be prorated for part-time care.

~~FAMILY SIZE~~	~~PERCENT OF GROSS FAMILY INCOME~~
~~1-3~~	~~10%~~

~~4-5 9%~~
~~6 or more 8%~~

"**SECTION 12B.3.(b1)** No later than January 1, 2015, the Department of Health and Human Services, Division of Child Development and Early Education, shall revise its child care subsidy policy to include in the policy's definition of "income unit" the following:

(1) A stepparent and the stepparent's child, if applicable.

(2) A nonparent relative caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child receiving child care subsidy does not live in the home with the child.

…

"**SECTION 12B.3.(h)** Payment for subsidized child care services provided with ~~Work First~~ Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

…."

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/IMPLEMENT FUND-RAISING PLAN/CODIFY TANF MAINTENANCE OF EFFORT REQUIREMENT

SECTION 12B.2.(a) Section 12B.9 of S.L. 2013-360 is amended by adding the following new subsection to read:

"**SECTION 12B.9.(i)** The North Carolina Partnership for Children, Inc., (Partnership) shall implement a plan to increase local capacity to raise private funds to support early childhood activities. The plan shall include the following:

(1) Providing training and technical assistance on fund-raising for local partnerships and boards.

(2) Building the capacity and composition of local boards to enhance fund development and long-term sustainability.

(3) Partnering with State and local businesses and organizations to create fund-raising events.

(4) Identifying grant opportunities at the State and local level."

SECTION 12B.2.(b) G.S. 143B-168.15(g) reads as rewritten:

"(g) Not less than thirty percent (30%) of the funds spent in each year of each local partnership's direct services allocation shall be used to expand child care subsidies. To the extent practicable, these funds shall be used to enhance the affordability, availability, and quality of child care services as described in this section. The North Carolina Partnership may increase this percentage requirement up to a maximum of fifty percent (50%) when, based upon a significant local waiting list for subsidized child care, the North Carolina Partnership determines a higher percentage is justified. Local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the Temporary Assistance to Needy Families (TANF) maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement."

STUDY CHILD CARE SUBSIDY FOR 11- AND 12-YEAR OLDS

SECTION 12B.3.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall study child care subsidy for 11- and 12-year olds. The Division shall study (i) available options for 11- and 12- year olds for before and after school care, (ii) available resources other than child care subsidy to pay for before and after school care, and (iii) the average cost of care for 11- and 12- year olds.

SECTION 12B.3.(b) The Division shall report its findings and recommendations to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than November 30, 2014. The report shall include separate findings and recommendations for 11- and 12-year olds.

REVISE CHILD CARE ALLOCATION FORMULA

SECTION 12B.4. Section 12B.4 of S.L. 2013-360 reads as rewritten:

"**CHILD CARE ALLOCATION FORMULA**

"**SECTION 12B.4.(a)** The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy

families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than ~~seventy-five percent (75%) of the State median income.~~the applicable federal poverty level percentage set forth in Section 12B.3(a) of this act, as amended.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

(3) For fiscal years 2013-2014 and 2014-2015, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

(4) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 and 2014-2015 fiscal years.

"**SECTION 12B.4.(b)** The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

"**SECTION 12B.4.(c)** When implementing the formula under subsection (a) of this section, the Department of Health and Human Services, Division of Child Development and Early Education, shall include the market rate increase in the formula process, rather than calculating the increases outside of the formula process. Additionally, the Department shall do the following:

(1) Beginning fiscal year 2014-2015, implement (i) one-third of the change in a county's allocation based on the new Census data; (ii) an additional one-third of the change in a county's allocation beginning fiscal year 2016-2017; and (iii) the final one-third change in a county's allocation beginning fiscal year 2018-2019. However, the following applies regarding increases to a county's allocation:

a. For the 2014-2015 fiscal year allocations, a county that did not have a child care subsidy waiting list during the 2013-2014 fiscal year shall not receive an increase in its allocation due to the new allocation formula directed in this subdivision.

b. Beginning fiscal year 2015-2016, a county whose spending coefficient is below ninety-five percent (95%) in the previous fiscal year shall not receive an increase in its allocation in the following fiscal year. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-five percent (95%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1st of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this sub-subdivision and the reasons for the waiver.

(2) Effective immediately following the next new Census data release, implement (i) one-third of the change in a county's allocation in the year following the data release; (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision; and (iii) the final one-third change in a county's allocation beginning the following two years thereafter."

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 12B.5. Effective January 1, 2015, the Department shall implement an adjustment to child care market rates based upon the 2013 Child Care Market Rate Study. Three- to five-star rated child care centers and three- to five-star rated child care homes shall receive twenty-five percent (25%) of the recommended rate adjustments as defined in the 2013 Child Care Market Rate Study.

NC PRE-K AUDITS

SECTION 12B.6. Section 12B.1 of S.L. 2013-360, as amended by Sections 4.2 and 4.3 of S.L. 2013-363, is amended by adding the following new subsection to read:

"**SECTION 12B.1.(k)** The administration of the NC Pre-K program by local partnerships shall be subject to the biennial financial and compliance audits authorized under G.S. 143B-168.14(b)."

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

CHILD PROTECTIVE SERVICES IMPROVEMENT INITIATIVE

SECTION 12C.1.(a) Findings and Intent. – The General Assembly makes the following findings:

(1) Child Protective Services' policy from the Department of Health and Human Services, Division of Social Services, recommends that the average child protective services caseload be no greater than 10 families at any time for workers performing child protective services assessments and 10 families at any time for staff providing in-home services. However, data suggests that in 43 of the counties in this State, 21 have a caseload size of more than 15 cases per worker; and further, in nine of those 21 counties, there is an average caseload size of more than 20 cases per worker.

(2) During the 2013-2014 fiscal year, county departments of social services lost federal funding for child protective services under the Temporary Assistance for Needy Families (TANF) Block Grant and Title IV-E funding. However, the number of Child Protective Services investigations has grown by twenty percent (20%) from fiscal year 2002 to fiscal year 2012.

(3) There is no current, statewide data available on the performance of county departments of social services regarding child protective services.

(4) There exists the potential for a conflict of interest to arise when a county department of social services has been appointed as guardian for both (i) a child who is the subject of a report of abuse, neglect, or dependency that would be investigated by Child Protective Services and (ii) for the parent or legal guardian of the child.

It is the intent of the General Assembly to (i) reduce caseload size for Child Protective Services' workers to the recommended standard, (ii) provide adequate resources for county departments of social services to provide child protective services for abused, neglected, and dependent children, (iii) provide for a comprehensive evaluation of various functions and funding regarding child protective services, and (iv) study ways to reduce conflicts of interest regarding guardianship and child protective services. To that end, the General Assembly supports the initiatives and the allocation of funds for child welfare services as described in this section.

SECTION 12C.1.(b) Funds for Child Protective Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of seven million three hundred sixty-nine thousand nine hundred seventy dollars ($7,369,970) shall be allocated to county departments of social services. Four million five hundred thousand dollars ($4,500,000) of those funds shall be used to replace federal funds counties lost during the 2013-2014 fiscal year previously used to pay for child protective services' workers. Beginning October 1, 2014, the remaining two million eight hundred sixty-nine thousand nine hundred seventy dollars ($2,869,970) shall be used to provide additional funding for child protective services' workers to reduce caseloads to an average of 10 families per worker.

SECTION 12C.1.(c) Funds for In-Home Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of four million five hundred thousand dollars ($4,500,000) shall be allocated for child welfare

in-home services to provide and coordinate interventions and services that focus on child safety and protection, family preservation, and the prevention of further abuse or neglect.

SECTION 12C.1.(d) Funds for Oversight of Child Welfare Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of seven hundred fifty thousand dollars ($750,000) shall be allocated to fund nine positions to the Division to enhance oversight of child welfare services in county departments of social services. These positions shall be used to monitor, train, and provide technical assistance to the county departments of social services to ensure children and families are provided services that address the safety, permanency, and well-being of children served by child welfare services.

SECTION 12C.1.(e) Pilot Program. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of three hundred thousand dollars ($300,000) shall be used to establish and implement a child protective services pilot program. The funds shall be used to enhance coordination of services and information among county departments of social services, local law enforcement agencies, the court system, guardian ad litem programs, and other agencies as deemed appropriate by the Department. The Department shall determine the number of sites that may participate in the pilot program and include regions that are geographically diverse.

The Division shall coordinate with the Government Data Analytics Center (GDAC) in developing the pilot program and commence the pilot program by December 1, 2014. The Division shall provide a progress report on the pilot program to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than March 1, 2015. The Division shall make a final report of its findings and recommendations on the pilot program to the Joint Legislative Oversight Committee on Health and Human Services no later than March 1, 2016.

SECTION 12C.1.(f) Statewide Evaluation. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of seven hundred thousand dollars ($700,000) shall be used to provide for a comprehensive, statewide evaluation of the State's child protective services system. The Division of Social Services shall contract for an independent evaluation of the system, which evaluation shall include developing recommendations on the following:

(1) The performance of county departments of social services as related to child protective services.
(2) Caseload sizes.
(3) The administrative structure of the child protective services system in the State.
(4) Adequacy of funding.
(5) Child protective services' worker turnover.
(6) Monitoring and oversight of county departments of social services.

The Division shall report the findings and recommendations from the evaluation to the Joint Legislative Oversight Committee on Health and Human Services no later than January 1, 2016.

SECTION 12C.1.(g) Study Conflicts of Interest/Public Guardianship and Child Protective Services. – The Department of Health and Human Services, Division of Social Services, shall study the issue of conflicts of interest in child welfare cases as related to public guardianship. In conducting the study, the Department shall consider the following regarding addressing potential conflicts of interest:

(1) Creating internal firewalls to prevent information sharing and influence among staff members involved with the conflicting cases.
(2) Creating a formal or an informal "buddy system" allowing a county with a conflict to refer a case to a neighboring county.
(3) Referring the guardianship to a corporate guardian until the child welfare case is resolved.
(4) Having the Department assume responsibility for either the guardianship or the child welfare case.
(5) Recommending legislation to permit the clerk the option to appoint a public agency or official, other than the Director of Social Services, to serve as a disinterested public agent in exceptional circumstances only.

(6) Any other issues specific to this matter the Department deems appropriate.

The Division shall submit a final report of its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than February 1, 2015.

CLARIFY WORK FIRST FAMILY ASSISTANCE INCOME LEVELS

SECTION 12C.2. G.S. 108A-27.01 reads as rewritten:

"**§ 108A-27.01. Income eligibility and payment level for Work First Family Assistance.**

The maximum net family annual income eligibility standards for Work First Family Assistance are ~~the same standards of need for eligibility for the categorically needy under the Medicaid Program.~~as provided in the table below. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

Family Size	Income Level
1	$ 4,344
2	5,664
3	6,528
4	7,128
5	7,776
6	8,376
7	8,952
8	9,256"

EASTERN BAND OF CHEROKEE INDIANS/ASSUMPTION BY TRIBE OF VARIOUS HUMAN SERVICES

SECTION 12C.3.(a) The purpose of this section is to enable the Eastern Band of Cherokee Indians to assume responsibility for certain social services, healthcare benefit programs, ancillary services, including Medicaid administrative and service related functions, and related reimbursements.

SECTION 12C.3.(b) Beginning October 1, 2014, or upon federal approval, the Eastern Band of Cherokee Indians may begin assuming the responsibility for the Supplemental Nutrition Assistance Program (SNAP). When the Eastern Band of Cherokee Indians assumes responsibility for SNAP, then any State statutes, portions of statutes, or rules relating to the provision of social services regarding SNAP services by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those social services are thereby delegated to the Eastern Band of Cherokee Indians.

No later than October 1, 2015, and with the exception of services related to special assistance, childcare, and adult care homes, the Eastern Band of Cherokee Indians may assume responsibility for other programs as described under G.S. 108A-25(e), enacted in subsection (c) of this section. When the Eastern Band of Cherokee Indians assumes responsibility for any of those other programs, then any State statutes, portions of statutes, or rules relating to the provision of services for those programs by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those programs are thereby delegated to the Eastern Band of Cherokee Indians.

SECTION 12C.3.(c) G.S. 108A-25 reads as rewritten:

"**§ 108A-25. Creation of ~~programs.~~programs; assumption by federally recognized tribe of programs.**

…

(e) When any federally recognized Native American tribe within the State assumes responsibility for any social services, Medicaid and NC Health Choice healthcare benefit programs, and ancillary services, including Medicaid administrative and service functions, that are otherwise the responsibility of a county under State law, then, notwithstanding any other provision of law, the county shall be relieved of the legal responsibility related to the tribe's assumption of those services."

SECTION 12C.3.(d) G.S. 108A-87 reads as rewritten:

"**§ 108A-87. Allocation of nonfederal shares.**

(a) The nonfederal share of the annual cost of each public assistance and social services program and related administrative costs may be divided between the State and counties as determined by the General Assembly and in a manner consistent with federal laws and regulations.

(b) The nonfederal share of the annual cost of public assistance and social services programs and related administrative costs provided to Indians living on federal reservations held in trust by the United States on their behalf shall be borne entirely by the State.

(c) Notwithstanding subsections (a) and (b) of this section, when the Eastern Band of Cherokee Indians assumes responsibility for a program described under G.S. 108A-25(e), the following shall occur:

(1) Nonfederal matching funds designated to Jackson and Swain counties to serve the Eastern Band of Cherokee Indians for that program previously borne by the State shall be allocated directly to the Eastern Band of Cherokee Indians rather than to those counties.

(2) Any portion of nonfederal matching funds borne by counties for public assistance and social services programs and related administrative costs shall be borne by the Eastern Band of Cherokee Indians."

SECTION 12C.3.(e) No later than October 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall submit to the Centers for Medicare and Medicaid Services (CMS) Medicaid and NC Health Choice state plan amendments and Medicaid waivers necessary to achieve the following:

(1) To effectuate the changes required by this section.

(2) To address the healthcare needs identified in community health assessments and plans conducted by the Eastern Band of Cherokee Indians, provided that changes to Medicaid and NC Health Choice services made by the state plan amendments or waivers will be one hundred percent (100%) federally funded. If any state plan amendments or waivers authorized by this subdivision will increase the state share of administrative or other costs, the Department shall report the anticipated increased costs to the Joint Legislative Oversight Committee on Health and Human Services.

The state plan amendments and waivers authorized by this section shall have an effective date no later than October 1, 2015.

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES

ELIGIBILITY FOR STATE-COUNTY SPECIAL ASSISTANCE PROGRAM

SECTION 12D.1.(a) G.S. 108A-41(b) reads as rewritten:

"(b) Assistance shall be granted to any person ~~who:~~who meets all of the following criteria:

(1) Meets one of the following:

a. Is 65 years of age ~~and older, is~~ or older.

b. Is between the ages of 18 and 65, and is permanently and totally disabled or is legally blind pursuant to ~~G.S. 111-11; and~~G.S. 111-11.

…."

SECTION 12D.1.(b) On and after the effective date for this subsection provided in subsection (h) of this section, G.S. 108A-41(b)(2) reads as rewritten:

"(2) Has both (i) income at or below one hundred percent (100%) of the federal poverty level guidelines published by the United States Department of Health and Human Services and (ii) insufficient income or other resources to provide a reasonable subsistence compatible with decency and health as determined by the rules and regulations of the Social Services ~~Commission; and~~Commission."

SECTION 12D.1.(c) G.S. 108A-41(b)(3) reads as rewritten:

"(3) Is one of the following:

a. A resident of North Carolina for at least 90 days immediately prior to receiving this ~~assistance;~~assistance.

~~b. A person coming to North Carolina to join a close relative who has resided in North Carolina for at least 180 consecutive days immediately prior to the person's application. The close relative shall~~

~~furnish verification of his or her residency to the local department of social services at the time the applicant applies for special assistance. As used in this sub-subdivision, a close relative is the person's parent, grandparent, brother, sister, spouse, or child; or~~

c. A person discharged from a State facility who was a patient in the facility as a result of an interstate mental health ~~compact.~~ compact that requires the State to continue treating the person within the State. As used in this sub-subdivision the term State facility is a facility listed under G.S. 122C-181."

SECTION 12D.1.(d) Subsections (a) and (c) of this section shall not affect the eligibility of State-County Special Assistance applicants approved to receive State-County Special Assistance benefits prior to November 1, 2014.

SECTION 12D.1.(e) Subsection (b) of this section shall not affect the eligibility of State-County Special Assistance applicants approved to receive State-County Special Assistance benefits prior to the effective date of subsection (b) of this section.

SECTION 12D.1.(f) Not later than October 31, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall submit to the federal Centers for Medicare and Medicaid Services (CMS) an amendment to the Medicaid State Plan to allow Medicaid recipients who were approved to receive State-County Special Assistance benefits prior to the effective date of subsection (b) of this section to retain their eligibility for Medicaid. G.S. 108A-54.1A(e) does not apply to this subsection.

SECTION 12D.1.(g) Subsections (a), (c), and (d) of this section become effective November 1, 2014. Subsections (f), (g), and (h) of this section are effective when they become law.

SECTION 12D.1.(h) Subsections (b) and (e) of this section become effective 30 days after the date CMS approves the Medicaid State Plan Amendment submitted by the Department of Health and Human Services pursuant to subsection (f) of this section. The Secretary of the Department of Health and Human Services shall report to the Revisor of Statutes when CMS approval is obtained and the date of the approval. Subsections (b) and (e) of this section shall not become effective if CMS disapproves the Medicaid State Plan Amendment submitted by the Department of Health and Human Services pursuant to subsection (f) of this section.

STATE-COUNTY SHARE OF COSTS FOR SPECIAL ASSISTANCE PROGRAM

SECTION 12D.2. G.S. 143B-139.5 reads as rewritten:

"**§ 143B-139.5. Department of Health and Human Services; adult care State/county share of ~~costs; maintenance of State/county budget allocations~~ costs for State-County Special Assistance programs.**

State funds available to the Department of Health and Human Services shall pay fifty percent (50%), and the counties shall pay fifty percent (50%) of the authorized rates for care in adult care homes including area mental health agency-operated or contracted-group homes. ~~The Department shall maintain the State's appropriation to the State-County Special Assistance program at one hundred percent (100%) of the State certified budget enacted by the General Assembly for the 2012-2013 fiscal year.~~ The Department shall use ~~these appropriated funds for~~ the State's appropriation to the State-County Special Assistance ~~program,~~ program for this program, for the State-County Special Assistance in-home program, and for rental assistance. ~~Each county department of social services shall maintain its allocation to the State-County Special Assistance program at one hundred percent (100%) of the county funds budgeted for this program for the 2011-2012 fiscal year.~~ Each county shall use ~~these~~ county funds budgeted for the State-County Special Assistance ~~program,~~ program for this program, for the State-County Special Assistance in-home program, and for rental assistance."

EXAMINATION OF WAYS TO IMPROVE THE PUBLIC GUARDIANSHIP SYSTEM

SECTION 12D.3.(a) The Department of Health and Human Services (Department), Division of Aging and Adult Services, shall collaborate with the Administrative Office of the Courts to develop a plan regarding the Department's evaluation of complaints pertaining to wards under the care of publicly funded guardians in order to ensure that, in addition to current requirements, the complaint process incorporates a face-to-face observation of the ward, an interview with the ward, or both. The plan shall include a requirement that an

individual with experience in understanding the unique needs and abilities of the ward be assigned to conduct the observation or interview.

SECTION 12D.3.(b) The Department shall continue utilizing existing safeguards regarding guardians as paid service providers. In addition, the Division of Aging and Adult Services shall consult with the clerks of superior court, local management entities that have been approved as managed care organizations, the North Carolina Bar Association Section on Elder Law, and any other interested groups to develop a model plan for transitioning a ward to an alternative guardianship arrangement when an individual guardian of the person becomes unable or unwilling to serve. The model plan shall focus on ways to prevent the appointment of a public guardian.

SECTION 12D.3.(c) The Department shall continue to study whether utilization of care coordination services would provide needed oversight to safeguard against conflicts of interest when guardians serve as paid providers.

SECTION 12D.3.(d) The Department shall submit a final report of its findings and recommendations for each of the issues described in subsections (a) through (c) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than October 1, 2014.

STATUS REPORTS FILED BY CORPORATIONS OR DISINTERESTED PUBLIC AGENTS SERVING AS GUARDIANS FOR INCOMPETENT WARDS

SECTION 12D.4.(a) G.S. 35A-1202(14) reads as rewritten:

"(14) "Status report" means the report required by G.S. 35A-1242 to be filed by the general guardian or guardian of the person. ~~A status report shall include a report of a recent medical and dental examination of the ward by one or more physicians or dentists, a report on the guardian's performance of the duties set forth in this Chapter and in the clerk's order appointing the guardian, and a report on the ward's condition, needs, and development. The clerk may direct that the report contain other or different information. The report may also contain, without limitation, reports of mental health or mental retardation professionals, psychologists, social workers, persons in loco parentis, a member of a multidisciplinary evaluation team, a designated agency, a disinterested public agent or agency, a guardian ad litem, a guardian of the estate, an interim guardian, a successor guardian, an officer, official, employee or agent of the Department of Health and Human Services, or any other interested persons including, if applicable to the ward's situation, group home parents or supervisors, employers, members of the staff of a treatment facility, or foster parents.~~"

SECTION 12D.4.(b) G.S. 35A-1242 reads as rewritten:

"**§ 35A-1242. Status reports for incompetent wards.**

(a) Any corporation or disinterested public agent that is guardian of the person for an incompetent person, within six months after being appointed, shall file an initial status report with ~~the designated agency, if there is one, or with the clerk.~~ the clerk and submit a copy of the initial status report to the designated agency, if there is one. Such guardian shall file a second status report with ~~the designated agency or~~ the clerk one year after being appointed, and subsequent reports annually thereafter. The clerk may order any other guardian of the person to file status reports. If a guardian required by this section to file a status report is employed by the designated agency, the guardian shall file any required status report with ~~both the designated agency and the clerk.~~the clerk and submit a copy of the status report to the designated agency.

(a1) Each status report shall include all of the following:

(1) A report or summary of recent medical and dental examinations of the ward by one or more physicians and dentists. In instances when the guardian has made diligent but unsuccessful attempts to secure this information, the guardian shall include in the status report an explanation and documentation of all actions taken to attempt to secure this information.

(2) A report on the guardian's performance of the duties set forth in this Chapter and in the clerk's order appointing the guardian.

(3) A report on the ward's residence, education, employment, and rehabilitation or habilitation.

(4) A report of the guardian's efforts to restore competency.
(5) A report of the guardian's efforts to seek alternatives to guardianship.
(6) If the guardian is a disinterested public agent or corporation, a report of the efforts to identify alternative guardians.
(7) The guardian's recommendations for implementing a more limited guardianship, preserving for the ward the opportunity to exercise rights that are within the ward's comprehension and judgment.
(8) Any additional reports or information required by the clerk.

(a2) The guardian may include in each status report additional information pertaining to the ward's best interests.

(b) Each status report shall be filed (i) under the guardian's oath or affirmation that the report is complete and accurate so far as ~~he~~ the guardian is informed and can ~~determine.~~determine or (ii) with the signature of a disinterested, competent witness to a statement by the guardian that the report is complete and accurate so far as the guardian is informed and can determine. Status reports filed with the signature of a disinterested, competent witness shall include the full name, address, and telephone number of the witness.

(b1) The clerk shall make status reports submitted by corporations or disinterested public agents available to the Director, or the Director's designee, of the Division of Aging and Adult Services within the Department of Health and Human Services. The Director, or the Director's designee, shall review the status reports in connection with the Department's regular program of oversight for these categories of guardians.

(c) A clerk or designated agency that receives a status report shall not make the status report available to anyone other than the guardian, the ward, the court, or State or local human ~~resource~~ services agencies providing services to the ward.

(d) The clerk, on the clerk's own motion, or any interested party, may file a motion in the cause pursuant to G.S. 35A-1207 with the clerk in the county where the guardianship is filed to request modification of the order appointing the guardian or guardians or for consideration of any matters contained in the status report."

SECTION 12D.4.(c) This section becomes effective October 1, 2014.

DEVELOPMENT OF STRATEGIC STATE PLAN FOR ALZHEIMER'S DISEASE

SECTION 12D.5. G.S. 143B-181.1(a) is amended by adding a new subdivision to read:

"(13) To develop a strategic State plan for Alzheimer's disease. The plan shall address ways to improve at least all of the following with respect to Alzheimer's disease:
a. Statewide awareness and education.
b. Early detection and diagnosis.
c. Care coordination.
d. Quality of care.
e. Health care system capacity.
f. Training for health care professionals.
g. Access to treatment.
h. Home- and community-based services.
i. Long-term care.
j. Caregiver assistance.
k. Research.
l. Brain health.
m. Data collection.
n. Public safety and safety-related needs of individuals with Alzheimer's disease.
o. Legal protections for individuals living with Alzheimer's disease and their caregivers.
p. State policies to assist individuals with Alzheimer's disease and their families."

REINSTATEMENT OF THE VOLUNTEER DEVELOPMENT PROGRAM AS A SERVICE CATEGORY UNDER THE HOME AND COMMUNITY CARE BLOCK GRANT

SECTION 12D.6. The Department of Health and Human Services, Division of Aging and Adult Services, shall reinstate the Volunteer Development Program as a service category under the Home and Community Care Block Grant. Counties may elect to use this program to provide services to older adults from funds received under the Home and Community Care Block Grant.

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

CHILDREN'S DEVELOPMENTAL SERVICES AGENCIES

SECTION 12E.1.(a) Section 12E.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 12E.4.** ~~In~~ The Department of Health and Human Services, Division of Public Health, shall explore all options in order to achieve the reduced amount of State funds appropriated in this act for the Children's Developmental ~~Service~~ Services Agencies (CDSAs) ~~program, the Department of Health and Human Services, Division of Public Health, may close up to four CDSAs, effective July 1, 2014. The Department shall retain the CDSA located in the City of Morganton and the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. If the Department elects to close one or more CDSAs pursuant to this section, it~~ program. The authorization for the Department to explore all options to achieve this reduction shall not be construed to repeal the elimination of 160 CDSA positions by June 30, 2015. The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than ~~March 1, 2014,~~March 1, 2015, identifying the ~~CDSAs selected for closure.~~actions implemented by the Department to achieve this reduction."

SECTION 12E.1.(b) For the 2014-2015 fiscal year, the Department shall maintain the same eligibility requirements for the CDSA program that were in effect on June 30, 2013.

INCREASED FEE FOR PRIVATE WELL-WATER TESTING

SECTION 12E.3.(a) G.S. 130A-5(16) reads as rewritten:

"(16) To charge a fee of up to ~~fifty-five dollars ($55.00)~~ seventy-four dollars ($74.00) for analyzing private well-water samples sent to the State Laboratory of Public Health by local health departments. The fee shall be imposed ~~only~~ for analyzing samples from newly constructed and existing wells. The fee shall be computed annually by the Director of the State Laboratory of Public Health by analyzing the previous year's testing at the State Laboratory of Public Health, and applying the amount of the total cost of the private well-water testing, minus State appropriations that support this effort. The fee includes the charge for the private well-water panel test kit."

SECTION 12E.3.(b) Subsection (a) of this section is effective when this act becomes law, and applies to private well-water samples analyzed on or after that date.

SECTION 12E.3.(c) The Department of Health and Human Services, Division of Public Health, shall, in consultation with local health departments and the Department of Environment and Natural Resources, study options for reducing or waiving the private well-water testing fee established in subsection (a) of this section for households with incomes at or below three hundred percent (300%) of the current federal poverty level. The Department shall report its findings and recommendations, including any recommended legislation, to the Joint Legislative Oversight Committee on Health and Human Services, the Environmental Review Commission, and the Fiscal Research Division by December 1, 2014.

PROGRAM EVALUATION STUDY OF CHIEF MEDICAL EXAMINER'S OFFICE

SECTION 12E.5. The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2014-2015 Work Plan for the Program Evaluation Division of the General Assembly a study on ways to improve North Carolina's medical examiner system. The study shall include (i) an evaluation of the Office of the Chief Medical Examiner within the Epidemiology Section of the Department of Health and Human Services, Division of Public Health, and that Office's policies and procedures with respect to death investigations and (ii) recommendations for best practices in death investigations to achieve greater efficiencies.

OPERATIONAL EFFICIENCIES FOR OFFICE OF THE CHIEF MEDICAL EXAMINER

SECTION 12E.6.(a) G.S. 130A-382 reads as rewritten:

"**§ 130A-382. County medical examiners; appointment; term of office; vacancies.**

~~One or more county medical examiners for each county shall be appointed by the Chief Medical Examiner~~The Chief Medical Examiner shall appoint one or more county medical examiners for each county for a three-year term. ~~County medical examiners shall be appointed from a list of physicians licensed to practice medicine in this State submitted by the medical society of the county in which the appointment is to be made. If no names are submitted by the society, the Chief Medical Examiner shall appoint one or more medical examiners from physicians in the county licensed to practice medicine in this State. In the event no licensed physician in a county accepts an appointment, the Chief Medical Examiner may appoint as acting county medical examiner one or more physicians licensed to practice medicine in this State from other counties, a licensed physician assistant,a nurse, a coroner, or an individual who has taken an approved course of training as required by the Chief Medical Examiner. The acting county medical examiner shall have all the duties and authority of the physician medical examiner except to perform autopsies.~~ In appointing medical examiners for each county, the Chief Medical Examiner shall give preference to physicians licensed to practice medicine in this State but may also appoint licensed physician assistants, nurse practitioners, nurses, coroners, or emergency medical technician paramedics. A medical examiner may serve more than one county. The Chief Medical Examiner may take jurisdiction in any case or appoint another medical examiner to do so."

SECTION 12E.6.(b) On or before November 1, 2014, the Department of Health and Human Services, Division of Public Health, shall study and report to the Joint Legislative Oversight Committee on Health and Human Services on all of the following:

(1) The adequacy of the current fee paid by the State and counties (i) pursuant to G.S. 130A-387 for investigations and reports and (ii) pursuant to G.S. 130A-389 for autopsies. This portion of the report shall include recommendations for any fee increase deemed necessary by the Department, as well as an explanation and documentation to support the recommended fee increase.

(2) Recommended categories of professionals that the Chief Medical Examiner may appoint as medical examiners.

(3) Recommended qualifications of, and training requirements for, medical examiners.

SECTION 12E.6.(c) A portion of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Office of the Chief Medical Examiner for the 2014-2015 fiscal year shall be used by the Department to establish a system of oversight to achieve operational efficiencies and improve quality assurance with respect to postmortem medicolegal examinations conducted under the authority of the Office of the Chief Medical Examiner pursuant to Part 1 of Article 16 of Chapter 130A of the General Statutes. In establishing the system of oversight required by this subsection, the Department shall develop and implement uniform protocols for conducting postmortem medicolegal examinations in accordance with established best practices for these examinations.

ADJUST REPORTING DATE FOR DIABETES COORDINATION REPORT

SECTION 12E.7. G.S. 130A-221.1(b) reads as rewritten:

"(b) On or before ~~December~~ January 1 of each ~~even-numbered~~odd-numbered year, the entities referenced in subsection (a) of this section shall collectively submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall provide the following:

(1) An assessment of the financial impact that each type of diabetes has on each entity and collectively on the State. This assessment shall include: the number of individuals with diabetes served by the entity, the cost of diabetes prevention and control programs implemented by the entity, the financial toll or impact diabetes and related complications places on the program, and the financial toll or impact diabetes and related complications places on each program in comparison to other chronic diseases and conditions.

(2) A description and an assessment of the effectiveness of each entity's programs and activities implemented to prevent and control diabetes. For each program and activity, the assessment shall document the source and

amount of funding provided to the entity, including funding provided by the State.

(3) A description of the level of coordination that exists among the entities referenced in subsection (a) of this section, as it relates to activities, programs, and messaging to manage, treat, and prevent all types of diabetes and the complications from diabetes.

(4) The development of and revisions to detailed action plans for preventing and controlling diabetes and related complications. The plans shall identify proposed action steps to reduce the impact of diabetes, pre-diabetes, and related diabetic complications; identify expected outcomes for each action step; and establish benchmarks for preventing and controlling diabetes.

(5) A detailed budget identifying needs, costs, and resources required to implement the plans identified in subdivision (4) of this subsection, including a list of actionable items for consideration by the Committee."

FOOD PROTECTION PROGRAM BUDGET REALIGNMENT

SECTION 12E.8. Notwithstanding any other provision of law, the four hundred thousand dollars ($400,000) that is appropriated under this act for aid to counties for local food and lodging programs shall be retained by the State beginning with the 2014-2015 fiscal year, to pay for the costs to operate the State elements of the food and lodging program, which was transferred to the Department of Health and Human Services pursuant to Section 13.3(d) of S.L. 2011-145.

TRANSFER OF SUMMER FOOD SERVICE PROGRAM TO DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 12E.9.(a) The North Carolina Summer Food Service Program is hereby transferred from the Department of Health and Human Services, Division of Public Health, to the Department of Public Instruction, by a Type I transfer, as defined in G.S. 143A-6.

SECTION 12E.9.(b) This section becomes effective October 1, 2014.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.1. Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2014-2015 fiscal year, the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) shall be used exclusively to support traumatic brain injury (TBI) services as follows:

(1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars ($359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or other appropriate service providers.

(2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars ($796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.

(3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars ($1,216,934) shall be used to support requests submitted by individual consumers for assistance with residential support services, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity and primary care physician.

REPORT ON STRATEGIES FOR IMPROVING MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 12F.3.(a) The Department of Health and Human Services (Department) shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2014, that includes all of the following components:

(1) A strategy for improving communication and coordination among all divisions within the Department that administer funds or programs related to the delivery of behavioral health services, especially regarding the most appropriate and efficient uses of public and private inpatient behavioral health services. The Department shall include as part of its strategy a process to address shortages and deficiencies identified in the annual State Medical Facilities Plan.

(2) A plan developed in collaboration with local management entities that have been approved to operate as managed care organizations (LME/MCOs) to increase access to, and availability of, community-based outpatient crisis and emergency services for the stabilization and treatment of individuals experiencing mental health, developmental disability, or substance abuse crises in settings other than local hospital emergency departments and State-operated psychiatric hospitals.

(3) A plan to ensure that a comprehensive array of outpatient treatment and crisis prevention and intervention services are available and accessible to children, adolescents, and adults in every LME/MCO catchment area. The plan shall ensure that an adequate number of crisis stabilization units are available in each LME/MCO catchment area. The plan shall include specific strategies for increasing the number of Facility-Based Crisis Programs for Children and Adolescents in high-need areas of the State and the availability of Professional Treatment Services in Facility-Based Crisis Programs for Children and Adolescents as defined in section 4.b.(8)(k) of the current Medicaid State Plan. The plan shall further describe in detail all actions necessary to implement those strategies, including a description of how the Department's funds will be utilized.

(4) Findings and recommendations for increasing the inventory of inpatient psychiatric and substance abuse services within the State. In developing its findings and recommendations, the Department shall examine the advantages and disadvantages of increasing this inventory of services through (i) additional State-operated facilities, (ii) community hospital beds, (iii) United States Veterans Administration beds, and (iv) community-based services that decrease the need for inpatient treatment.

(5) A plan for offering hospitals and other entities incentives to apply for licenses to begin offering new inpatient behavioral health services, or to begin operating existing licensed beds that are currently unstaffed, or both.

(6) Recommendations on the use of the existing Cherry Hospital buildings after patients and operations are relocated to the replacement facility. In developing its findings and recommendations, the Department shall conduct a study that includes development of an inventory and assessment of the condition of every building located on the existing Cherry Hospital campus. The study shall include an examination of the feasibility of using the existing Cherry Hospital facility to provide community-based and facility-based behavioral health services, including additional child and adolescent inpatient beds.

(7) A method by which the Division of Health Service Regulation can begin tracking and separately reporting no later than January 1, 2015, on the inventory of inpatient behavioral health beds for children ages six through 12 and for adolescents over age 12.

(8) A status update on the implementation of each component of the 2008 Mental Health Commission Workforce Development Plan.

SECTION 12F.3.(b) The Department shall submit a report to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by March 1, 2015, that includes all of the following components:

(1) A comprehensive strategy, developed in collaboration with stakeholders deemed relevant by the Department, to address the dearth of licensed child

and adolescent inpatient psychiatric beds in facilities throughout the State. The strategy shall do all of the following:

a. Ensure that an adequate inventory of child and adolescent beds are available in each LME/MCO catchment area.
b. Include the development and implementation of a child and adolescent psychiatric bed registry to provide real-time information on the number of beds available at each licensed and nonlicensed facility in the State.
c. Include recommendations as to any regulatory changes necessary to ensure safety and quality in Facility-Based Crisis Programs for Children and Adolescents.

(2) Recommendations for meaningful outcome measures to be implemented by State-operated alcohol and drug abuse treatment centers to assess the impact of inpatient treatment on an individual's substance use following discharge from a State-operated alcohol and drug abuse treatment center. The recommendations shall include a proposed time line for implementation of these outcome measures.

REPORT AND PLAN REGARDING BUDGET SHORTFALLS WITHIN THE DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 12F.4. By December 1, 2014, the Department of Health and Human Services shall provide a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the budget shortfalls within the Department as a result of liabilities associated with (i) the provision of community services for the treatment of mental illness, developmental disabilities, and substance abuse disorders and (ii) the State-operated health care facilities under the jurisdiction of the Department. The report shall include a detailed explanation of all of the following:

(1) A history of the annual budget shortfalls since 2008 and all the contributing factors.
(2) An explanation of actions taken by the Department and the Office of State Budget and Management to address these budget shortfalls.
(3) A plan for eliminating these budget shortfalls.

FUNDS APPROPRIATED TO IMPLEMENT RECOMMENDATIONS OF THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES REGARDING BEHAVIORAL HEALTH CRISIS SERVICES

SECTION 12F.5.(a) The following definitions apply in this section:

(1) Facility-Based Crisis Center. – A 24-hour residential facility licensed under 10A NCAC 27G .5000 to provide facility-based crisis service as described in 10A NCAC 27G .5001.
(2) Secretary. – The Secretary of the North Carolina Department of Health and Human Services.
(3) Behavioral Health Urgent Care Center. – An outpatient facility that provides walk-in crisis assessment, referral, and treatment by licensed behavioral health professionals with prescriptive authority to individuals with an urgent or emergent need for mental health, intellectual or developmental disabilities, or substance abuse services.

SECTION 12F.5.(b) From funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for community services for the 2014-2015 fiscal year, the Division shall use two million two hundred thousand dollars ($2,200,000) in recurring funds to accomplish the following:

(1) To increase the number of co-located or operationally linked behavioral health urgent care centers and facility-based crisis centers.
(2) To increase the number of facility-based crisis centers designated by the Secretary as facilities for the custody and treatment of involuntary clients pursuant to G.S. 122C-252 and 10A NCAC 26C .0101. The Department

shall give priority to areas of the State experiencing a shortage of these types of facilities.

(3) To provide reimbursement for services provided by facility-based crisis centers.

(4) To establish facility-based crisis centers for children and adolescents.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

TECHNICAL CORRECTION TO CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT OF PREVIOUSLY APPROVED EQUIPMENT

SECTION 12G.1.(a) G.S. 131E-184(f) reads as rewritten:

"(f) The Department shall exempt from certificate of need review the purchase of any replacement equipment that exceeds the two million dollar ($2,000,000) threshold set forth in ~~G.S. 131E-176(22)~~ G.S. 131E-176(22a) if all of the following conditions are met:

(1) The equipment being replaced is located on the main campus.

(2) The Department has previously issued a certificate of need for the equipment being replaced. This subdivision does not apply if a certificate of need was not required at the time the equipment being replaced was initially purchased by the licensed health service facility.

(3) The licensed health service facility proposing to purchase the replacement equipment shall provide prior written notice to the Department, along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection."

SECTION 12G.1.(b) This section is effective when it becomes law.

HEALTH CARE COST REDUCTION AND TRANSPARENCY ACT REVISIONS

SECTION 12G.2. G.S. 131E-214.13 reads as rewritten:

"**§ 131E-214.13. Disclosure of prices for most frequently reported DRGs, CPTs, and HCPCSs.**

(a) The following definitions apply in this Article:

(1) Ambulatory surgical facility. – A facility licensed under Part 4 of Article 6 of this Chapter.

(2) Commission. – The North Carolina Medical Care Commission.

(3) Health insurer. – ~~As defined in G.S. 108A-55.4, provided that "health insurer" shall not include self-insured plans and group health plans as defined in section 607(1) of the Employee Retirement Income Security Act of 1974.~~An entity that writes a health benefit plan and is one of the following:

a. An insurance company under Article 3 of Chapter 58 of the General Statutes.

b. A service corporation under Article 65 of Chapter 58 of the General Statutes.

c. A health maintenance organization under Article 67 of Chapter 58 of the General Statutes.

d. A third-party administrator of one or more group health plans, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1167(1)).

(4) Hospital. – A medical care facility licensed under Article 5 of this Chapter or under Article 2 of Chapter 122C of the General Statutes.

(5) Public or private third party. – Includes the State, the federal government, employers, health insurers, third-party administrators, and managed care organizations.

(b) Beginning with the quarter ending June 30, 2014, and quarterly thereafter, each hospital shall provide to the Department of Health and Human Services, utilizing electronic health records software, the following information about the 100 most frequently reported admissions by DRG for inpatients as established by the ~~Commission:~~Department:

(1) The amount that will be charged to a patient for each DRG if all charges are paid in full without a public or private third party paying for any portion of the charges.

(2) The average negotiated settlement on the amount that will be charged to a patient required to be provided in subdivision (1) of this subsection.
(3) The amount of Medicaid reimbursement for each DRG, including claims and pro rata supplemental payments.
(4) The amount of Medicare reimbursement for each DRG.
(5) For each of the five largest health insurers providing payment to the hospital on behalf of insureds and teachers and State employees, the range and the average of the amount of payment made for each DRG. Prior to providing this information to the Department, each hospital shall redact the names of the health insurers and any other information that would otherwise identify the health insurers.

A hospital shall not be required to report the information required by this subsection for any of the 100 most frequently reported admissions where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(c) The Commission shall adopt rules on or before ~~March 1, 2014,~~January 1, 2015, to ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the Department in a uniform manner. The rules shall include all of the following:

(1) The method by which the Department shall determine the 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section.
(2) Specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's Internet Web site.

(d) Beginning with the quarter ending September 30, 2014, and quarterly thereafter, each hospital and ambulatory surgical facility shall provide to the Department, utilizing electronic health records software, information on the total costs for the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and HCPCS codes. Hospitals and ambulatory surgical facilities shall report this information in the same manner as required by subdivisions (b)(1) through (5) of this section, provided that hospitals and ambulatory surgical facilities shall not be required to report the information required by this subsection where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(e) The Commission shall adopt rules on or before ~~June 1, 2014,~~January 1, 2015, to ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the Department in a uniform manner. The rules shall include the ~~list of~~ method by which the Department shall determine the 20 most common surgical procedures and the 20 most common imaging ~~procedures, by volume, performed in a hospital outpatient setting and those performed in an ambulatory surgical facility, along with the related CPT and HCPCS codes.~~procedures for which the hospitals must provide the data set out in subsection (d) of this section.

(e1) The Commission shall adopt rules to establish quality measures identical to those established by the Joint Commission for each of the following:

a. Primary cesarean section rate, uncomplicated (TJC PC-02)
b. Early elective delivery rate (TJC PC-01)
c. C. difficile infection SIR (NHSN)
d. Multidrug resistant organisms (NHSN)
e. Surgical site infection SRI for colon surgeries (NSHN)
f. Post op sepsis rate (PSI13)
g. Thrombolytic therapy for acute ischemic stroke patients (STK-4)
h. Stroke education (STK-8)
i. Venous thrombolism prophylaxis (VTE-1)
j. Venous thrombolism discharge instructions (VTE-5)

(f) Upon request of a patient for a particular DRG, imaging procedure, or surgery procedure reported in this section, a hospital or ambulatory surgical facility shall provide the

information required by subsection (b) or subsection (d) of this section to the patient in writing, either electronically or by mail, within three business days after receiving the request.

(g) G.S. 150B-21.3 does not apply to rules adopted under subsections (c) and (e) of this section. A rule adopted under subsections (c) and (e) of this section becomes effective on the last day of the month following the month in which the rule is approved by the Commission."

STUDY CONCERNING EXPANSION OF HEALTH CARE COST REDUCTION AND TRANSPARENCY ACT TO ADDITIONAL HEALTH CARE PROVIDERS

SECTION 12G.3. By December 1, 2014, the Department of Health and Human Services shall study and submit a written report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division summarizing its recommendations for extending North Carolina's Health Care Cost Reduction and Transparency Act of 2013 (the Act) to additional health care providers. The report shall identify all of the following:

(1) Recommended categories of additional health care providers that should be subject to the requirements of the Act.
(2) Recommended data to be collected for the purpose of transparency from each category of identified health care providers.
(3) Recommended exemptions, if any, from certain requirements of the Act for each category of identified health care providers.
(4) Recommended effective dates for the applicability of the Act to each category of identified health care providers.

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.4.(a) For the period commencing on the effective date of this section, and ending June 30, 2016, and notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. This prohibition does not apply to companion and sitter services and shall not restrict the Department from doing any of the following:

(1) Issuing a license to a certified home health agency as defined in G.S. 131E-176(12) that intends to offer in-home aide services.
(2) Issuing a license to an agency that needs a new license for an existing home care agency being acquired.
(3) Issuing a license for a new home care agency in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to care is necessary in that area.

SECTION 12G.4.(b) This section is effective when it becomes law.

MORATORIUM ON SPECIAL CARE UNIT LICENSES

SECTION 12G.5. Section 12G.1(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 12G.1.(a)** For the period beginning July 31, 2013, and ending ~~July 1, 2016,~~June 30, 2016, the Department of Health and Human Services, Division of Health Service Regulation (Department), shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the following:

(1) Issuing a license to a facility that is acquiring an existing special care unit.
(2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that area during the ~~three-year~~ moratorium imposed by this section.
(3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.
(4) Issuing a license to a facility that was in possession of a certificate of need as of July 31, 2013, that included authorization to operate special care unit beds."

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

MEDICAID REFORM

SECTION 12H.1. It is the intent of the General Assembly to continue to work toward the details of Medicaid reform during a special session in November 2014. Until the General Assembly enacts legislation authorizing a plan to reform Medicaid, the Department of Health and Human Services (i) shall continue to consult with stakeholder groups, study, and recommend options for Medicaid reform that will provide greater budget predictability for the Medicaid program and (ii) shall not commit the State to any particular course on Medicaid reform and shall not submit any reform-related State plan amendments, waivers, or grant applications nor enter into any contracts related to implementing Medicaid reform.

REINSTATE MEDICAID ANNUAL REPORT

SECTION 12H.2. The Department of Health and Human Services, Division of Medical Assistance, shall reinstate the publication of the Medicaid Annual Report and accompanying tables, which was discontinued after 2008. The Division shall publish the report and tables on its Web site and shall not publish copies in print.

MODIFY INTENSIVE IN-HOME SERVICE

SECTION 12H.4. No later than October 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall modify the service definition for the Intensive In-Home Service to reflect a team-to-family ratio of one Intensive In-Home team to 12 families for both the Medicaid and NC Health Choice programs.

STUDY ADDITIONAL 1915(C) WAIVER

SECTION 12H.5. The Department of Health and Human Services, Division of Medical Assistance, shall design and draft a 1915(c) wavier that meets the following requirements:

(1) The waiver should create 1,000 new slots each year for 3 years, to serve a total of 3,000 additional adults with developmental disabilities from January 1, 2016, to June 30, 2019.

(2) The budget for each slot should be capped at twenty thousand dollars ($20,000) per plan year per beneficiary, and slots will target individuals on the registry of unmet needs.

(3) The slots should be managed as part of the LME/MCO managed care system.

The Department shall report the draft waiver, other findings, and any other options or recommendations to best serve the additional adults with developmental disabilities on the registry of unmet needs to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services by March 1, 2015. The Department may submit drafts of the waiver to the Centers for Medicare and Medicaid Services (CMS) to solicit feedback but shall not submit the waiver for CMS approval until authorized by the General Assembly.

TRAUMATIC BRAIN INJURY WAIVER

SECTION 12H.6. The Department of Health and Human Services, Division of Medical Assistance, and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in conjunction with the North Carolina Traumatic Brain Injury Advisory Council, shall design and draft a 1915(c) waiver to add a new service package for Medicaid eligibles with traumatic brain injury (TBI). This draft waiver may be based on an update to the 2010 report on a waiver to serve individuals with traumatic brain injury. The Department shall report the draft waiver, other findings, and any additional options to provide Medicaid services to those suffering from TBI to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services by February 1, 2015. The Department may submit drafts of the waiver to the Centers for Medicare and Medicaid Services (CMS) to solicit feedback but shall not submit the waiver for CMS approval until authorized by the General Assembly.

FREEZE NURSING HOME CASE MIX INDEX

SECTION 12H.7. Section 12H.13(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 12H.13.(b)** Effective July 1, 2013, any rate methodologies that contain an automatic inflationary or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is otherwise increased by the General Assembly. Interim hospital outpatient services' percentage of cost used for payment shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and cost settlement will only be up to the percentage in subsection (e) of this section. The following rates are excluded from this subsection: Federally Qualified Health Centers, Rural Health Centers, critical access hospitals, State-Operated services, Hospice, Part B and D Premiums, third-party and HMO premiums, drugs, MCO capitation payments, and nursing home direct care services case mix index increases. Notwithstanding the foregoing, the exclusion from this subsection for nursing home direct care services case mix index increases expires January 1, 2015, and the rate for nursing home direct care services case mix shall not increase above the rate in effect on December 31, 2014."

DRUG REIMBURSEMENT USING AVERAGE ACQUISITION COST

SECTION 12H.8.(a) The Department of Health and Human Services, Division of Medical Assistance, shall adopt an average acquisition cost methodology for brand and generic drug ingredient pricing to be effective beginning on January 1, 2015. The drug ingredient pricing methodology shall be consistent with new federal requirements or, if the new federal requirements have not yet been finalized by October 1, 2014, consistent with the draft federal requirements. In adopting a new drug ingredient pricing methodology, the Department shall also do all of the following:

(1) Raise dispensing fees so that the average acquisition cost ingredient pricing plus the dispensing fees, net of any drug rebates, generates nine hundred seventy-five thousand dollars ($975,000) in savings in General Fund appropriations.

(2) Maintain a distinction between the dispensing fees for preferred and brand drugs.

(3) Ensure that ingredient prices are updated at least monthly.

SECTION 12H.8.(b) The Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) for a contractor to perform a statewide drug dispensing fee study to begin on March 1, 2015. The Department shall use the one hundred thousand dollars ($100,000) appropriated in this budget for this study as the State share to draw down additional federal Medicaid funds for this study.

SECTION 12H.8.(c) The Department of Health and Human Services, Division of Medical Assistance, shall follow the procedures in G.S. 108A-54.1A in submitting the State plan amendment required to implement this section.

SUBSTITUTION OF GENERIC DRUGS FOR UNAVAILABLE PREFERRED DRUGS

SECTION 12H.8A. If the Department of Health and Human Services, Division of Medical Assistance, finds that there are net General Fund savings to the Medicaid program from doing so, then the Division may allow a pharmacist to substitute and dispense a generic drug in place of a preferred drug without prior authorization, subject to all of the following being true:

(1) The Division normally requires the dispensing of the preferred drug over the equivalent generic drug.

(2) The pharmacist has not been able to acquire the preferred drug from at least two separate wholesalers within the two weeks prior to dispensing the generic substitute.

(3) The pharmacist maintains records of the failed attempts to acquire the preferred drug. Such records shall be open to inspection and audit by the Division.

(4) The prescriber has not indicated that the preferred drug is "medically necessary."

(5) The pharmacist notifies the prescriber of the substitution and receives approval from the prescriber for the substitution.

(6) The pharmacist notifies the patient of the substitution and gives the patient the opportunity to accept or refuse the substitution.

For purposes of this section, "savings to the Medicaid program" shall not be limited to savings within the prescription drug service area but shall also include savings in other areas of the program, such as savings associated with eliminating the prior authorization process or savings from instances where missed doses may lead to negative and costly patient outcomes.

MENTAL HEALTH DRUG MANAGEMENT

SECTION 12H.9.(a) Effective January 1, 2015, Section 12H.13(g) of S.L. 2013-360, as amended by Section 4.4 of S.L. 2013-363, is repealed.

SECTION 12H.9.(b) Effective January 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall manage mental health drugs to produce twelve million dollars ($12,000,000), net of rebates, in recurring annual savings to General Fund appropriations to the Medicaid program. In order to achieve these savings, the Department shall first make adjustments to the preferred drug list to maximize supplemental rebates. Next, in order to achieve these savings, the Department is authorized to impose controls including prior authorization, utilization review criteria, and other restrictions. Notwithstanding the foregoing, because of the effective date of this section, savings in fiscal year 2014-2015 shall be six million dollars ($6,000,000).

SECTION 12H.9.(c) No later than October 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Health and Human Services on the Department's fiscal year 2014-2015 savings from making the changes required by subsection (b) of this section.

PERSONAL CARE SERVICES MANAGEMENT

SECTION 12H.10.(a) The Department of Health and Human Services, Division of Medical Assistance, shall implement the rate reduction specified in Section 2 of S.L. 2013-306 retroactively to October 1, 2013, by recouping all payments in excess of the rate approved in the State plan amendment required in Section 3 of S.L. 2013-306. The Department shall then additionally recoup the three percent (3%) reduction required by Section 12H.18(b) of S.L. 2013-360.

SECTION 12H.10.(b) By March 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall propose a financial plan to contain the budget growth of personal care services (PCS) for fiscal year 2015-2016, including any rate reductions necessary to keep the total PCS budget at the same level as the fiscal year 2014-2015 certified budget for PCS, code 1310, North Carolina Accounting System code 536144, in the Division of Medical Assistance fund 14445.

SECTION 12H.10.(c) The Joint Legislative Oversight Committee on Health and Human Services shall engage a contractor to study issues related to reforming and redesigning personal care services (PCS) while meeting the State's obligations under the Americans with Disabilities Act and the United States Supreme Court's decision in Olmstead v. L.C. ex rel. Zimring, 527 U.S. 581 (1999). The study shall examine the following issues:

(1) What categories of Medicaid recipients are currently receiving PCS, and in what settings are they being served?

(2) What is the total number of Medicaid recipients receiving PCS in each category, and what is the anticipated growth in each category?

(3) What is the current cost of serving Medicaid recipients in each setting, and specifically, the sources of public funding utilized to serve those individuals?

(4) What alternative, more cost-effective assistance models could be implemented for each category of Medicaid recipient?

(5) Specifically, whether more cost-effective assistance could be offered through the new 1915(i) State plan home- and community-based services and 1915 waiver options for each category of Medicaid recipient.

(6) Recommendations regarding what outcomes the redesigned program should be designed to achieve.

(7) The impact of reforming and redesigning personal care services on appeals and litigation.

(8) Other areas as deemed appropriate by the chairs of the Joint Legislative Oversight Committee on Health and Human Services.

The study shall specifically examine the effect of the moratorium on home care agency licenses for in-home aide services required by Section 12G.4 of this act and the moratorium on special care unit licenses required by Section 12G.5 of this act and make recommendations on whether each of these moratoria should be continued.

The study shall also address the quality of resident care within adult care homes and the adequacy of State oversight of adult care homes, including inspections, procedures, and processes.

No later than December 1, 2015, the contractor shall report the results and recommendations of the study to the Joint Legislative Oversight Committee on Health and Human Services. The Department of Health and Human Services shall give the contractor full access to all data necessary to complete the study and the report. The Department of Health and Human Services shall make payments to the contractor hired by the Joint Legislative Oversight Committee on Health and Human Services from funds appropriated elsewhere in this budget for this contract as well as from federal Medicaid matching funds available for this contract.

ADULT CARE HOME COST REPORTING

SECTION 12H.11. The Department of Health and Human Services shall require compliance with the adult care home cost reporting requirements set forth in G.S. 131D-4.2. The Department shall make available the data collected from the cost reporting in a character-separated values (CSV) plain text format or other file format that may easily be imported into software used for spreadsheets, databases, and data analytics.

CREATE STATEWIDE HOSPITAL BASE RATE

SECTION 12H.12.(a) Section 12H.20(b) of S.L. 2013-360 is repealed.

SECTION 12H.12.(b) Effective January 1, 2015, the individualized base rates for hospital inpatient services under the Medicaid and NC Health Choice programs are hereby replaced with a single statewide base rate for hospital inpatient services equal to the sum of two thousand seven hundred eighty-eight dollars ($2,788) or the statewide median rate on June 30, 2014, whichever is less. This subsection does not apply to UNC Hospitals or Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, and their base rates shall not be included in the calculation of the statewide median rate.

SUPPLEMENTAL PAYMENTS TO ELIGIBLE MEDICAL PROFESSIONAL PROVIDERS

SECTION 12H.13.(a) Effective July 1, 2014, supplemental payments that increase reimbursement to the average commercial rate for certain eligible medical providers described in the Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and 3, shall be modified as follows:

(1) The number of eligible medical professional providers shall be limited as follows:
   a. 418 with the East Carolina University (ECU) Brody School of Medicine.
   b. 1,176 with the University of North Carolina at Chapel Hill (UNC) Faculty Physicians.
   c. 14 with the UNC Hospitals Pediatric Clinic.
   d. 75 with UNC Physicians Network.
   e. 18 with Chatham Hospital.

(2) Supplemental payments shall not be made for services provided in Wake County.

The Department of Health and Human Services shall not make any other modifications to the portion of the Medicaid State Plan referenced in this section, except as provided herein.

SECTION 12H.13.(b) Beginning on December 31, 2014, and annually thereafter, UNC and ECU shall submit an annual report based on their preceding fiscal year to the Joint Legislative Oversight Committee on Health and Human Services containing all of the following information for each individual provider for whom this supplemental payment is received:

(1) For each service provided by the provider and for which the supplemental payment is received, the location where the service was provided, including county, municipality, and zip code.
(2) The percentage of the provider's total time spent serving Medicaid recipients annually that is for services provided at locations other than the ECU Brody School of Medicine, the Firetower Medical Office, or the UNC School of Medicine.
(3) The amount of Medicaid reimbursement for each service for which a supplemental payment was made for services provided by the provider.
(4) On an annual basis, the percentage of the provider's time spent engaging in the following:
a. Clinical patient care.
b. Teaching.
c. Research.
d. Other activities.

SECTION 12H.13.(c) Any State plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

COST SETTLE NORTH CAROLINA UNIVERSITY HOSPITALS AT SAME RATE AS OTHER HOSPITALS

SECTION 12H.13A. Effective July 1, 2014, the settlement for outpatient Medicaid services performed by UNC Hospitals and Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, shall be done at seventy percent (70%) of costs.

REPEAL SHARED SAVINGS PROGRAM; MAINTAIN CERTAIN RATE REDUCTIONS

SECTION 12H.14.(a) All subsections of Section 12H.18 of S.L. 2013-360, except for subsection (b), are repealed.

SECTION 12H.14.(b) Section 12H.18(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall ~~withhold~~ reduce by three percent (3%) ~~of~~ the payments for the following services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

…

~~Funds from payments withheld under this section that are budgeted to be shared with providers shall not revert to the General Fund.~~"

SECTION 12H.14.(c) Effective June 1, 2015, Section 12H.18(b) of S.L. 2013-360, as amended by subsection (b) of this section, reads as rewritten:

"**SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall reduce by three percent (3%) the payments for the following services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

(1) Inpatient hospital.
(2) Physician, excluding primary care until January 1, 2015.
(3) Dental.
(4) Optical services and supplies.
(5) Podiatry.
(6) Chiropractors.
(7) Hearing aids.
(8) Personal care services.
~~(9) Nursing homes.~~
(10) Adult care homes.
(11) Dispensing drugs."

SECTION 12H.14.(d) Consistent with the requirements of the Affordable Care Act, the primary care physicians excluded from the three percent (3%) rate reduction for the 2013-2015 fiscal biennium, referenced in Section 12H.18(b) of S.L. 2013-360, are those physicians for whom the Affordable Care Act requires payment at one hundred percent (100%) of the Medicare rate until January 1, 2015.

PROVIDER RATE REDUCTION

SECTION 12H.14A. Effective January 1, 2015, the Department of Health and Human Services shall reduce by one percent (1.0%) all fee-for-services payments for services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2015, except for inpatient hospital services, home care services other than personal care services, private duty nursing, drugs, dispensing fees, nursing homes, all cost-based providers, services where rates or rate methodologies are set by the federal government or negotiated through a contract, hospice, CAP services, federally qualified health centers, and rural health centers.

CASE WEIGHTING FACTOR REDUCTION

SECTION 12H.14B. Effective January 1, 2015, the Department of Health and Human Services shall reduce by two and one-tenth percent (2.1%) the diagnosis-related group (DRG) case weighting factors for all DRGs for inpatient services payments rendered to Medicaid and NC Health Choice recipients on or after January 1, 2015. The two and one-tenth percent (2.1%) reduction factor shall be applied uniformly to the case weighting factor assigned to each DRG.

PUBLISH MEDICAID PAYMENTS TO PROVIDERS

SECTION 12H.15.(a) For payments made in fiscal year 2013-2014 and for subsequent fiscal years, the Department of Health and Human Services, Division of Medical Assistance, shall publish on its Web site comprehensive information on Medicaid payments made to providers. The information shall be updated annually within three months of the close of a State fiscal year to include payments for that fiscal year. The information published shall include all of the following for each individual providing Medicaid services:

(1) Name of the individual providing the service.
(2) Location of service provider's principal place of business.
(3) Location of provided services, listed with both municipality and county. If an individual provides services in multiple locations, then those shall be specified and the items in subdivisions (6) through (10) of this subsection shall be provided for each location.
(4) Practice name, hospital name, or other business name with which the individual providing service is affiliated.
(5) Type of service provider and practice area.
(6) Number of Medicaid patients seen.
(7) Number of visits with Medicaid patients.
(8) Number of procedures performed or items furnished for Medicaid patients.
(9) Amount of Medicaid service payments received.
(10) Amount of Medicaid supplemental payments received.
(11) Amount of Medicaid settlement payments received.
(12) Amount of Medicaid recoupments.

The information shall be published in a character-separated values (CSV) plain text format or other file format that may easily be imported into software used for spreadsheets, databases, and data analytics. The Department shall ensure that no protected patient information be published.

SECTION 12H.15.(b) The Department of Health and Human Services, Division of Medical Assistance, shall begin discussions with the UNC School of Public Health or any other appropriate party of an educational or nonprofit nature to perform analytics on the information or to generate an interactive Web site to access the information contained within the data required to be reported under subsection (a) of this section. Such a Web site should be designed to exceed the functionality of South Carolina's HealthViz Medicaid statistics Web site.

INCREASE HOSPITAL ASSESSMENT RETENTION BY STATE

SECTION 12H.17.(a) G.S. 108A-121(8) reads as rewritten:

"(8) State's annual Medicaid payment. – For an assessment collected under this Article, an amount equal to ~~twenty-five and nine-tenths percent (25.9%)~~ twenty-eight and eighty-five one hundredths percent (28.85%) of the total amount collected under the assessment."

SECTION 12H.17.(b) G.S. 108A-128 reads as rewritten:

"**§ 108A-128. Payment for providers formerly subject to this Article.**

If a hospital provider (i) is exempt from both the equity and UPL assessments under this Article, (ii) makes an intergovernmental transfer (IGT) to the Department of Health and Human Services to be used to draw down matching federal funds, and (iii) has acquired, merged, leased, or managed another provider on or after March 25, 2011, then the hospital provider shall transfer to the State an additional amount, which shall be retained by the State. The additional amount shall be ~~twenty-five and nine-tenths percent (25.9%)~~ a percentage of the amount of funds that (i) would be transferred to the State through such an IGT and (ii) are to be used to match additional federal funds that the hospital provider is able to receive because of the acquired, merged, leased, or managed provider. That percentage shall be the same percentage provided in the definition of "State's annual Medicaid payment" under G.S. 108A-121."

REPEAL PLANNED CCNC PAYMENT OF PMPMS

SECTION 12H.19. It is the intent of the General Assembly that the structure of per member per month (PMPM) payments or other payments to providers participating in Community Care of North Carolina (CCNC) programs be considered as a part of any Medicaid reform plan for the State. Therefore, Section 12H.22 of S.L. 2013-360 is repealed.

PRIMARY CARE CASE MANAGEMENT FOR DUAL ELIGIBLES

SECTION 12H.20.(a) The Department of Health and Human Services, Division of Medical Assistance, shall draft one or more waivers that would expand primary care case management and that are designed to accomplish the following:

(1) Medicare and Medicaid dual eligibles shall be required to enroll in primary care case management to the maximum extent allowed by the Centers for Medicare and Medicaid Services (CMS).
(2) Primary care case management shall be provided for enrolled dual eligibles.
(3) Primary care case management for dual eligibles with a primary diagnosis of mental illness or intellectual or developmental disability may be administered by the LME/MCOs.

The Department may submit drafts of the waivers to the Centers for Medicare and Medicaid Services (CMS) to solicit feedback but shall not submit the waivers for CMS approval until authorized by the General Assembly.

SECTION 12H.20.(b) No later than March 1, 2015, the Department shall submit to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services a copy of the draft waivers and a report, which shall include the following:

(1) The anticipated increase in number of dual eligibles that will enroll in primary care case management.
(2) The costs associated with serving the increased number of enrolled dual eligibles.
(3) The anticipated savings to the Medicaid program.
(4) A detailed fiscal analysis supporting any calculation of anticipated savings.

OPTION TO CANCEL CONTRACTS

SECTION 12H.20A.(a) During fiscal year 2014-2015, the Department of Health and Human Services and the Division of Medical Assistance shall ensure that any Medicaid-related or NC Health Choice-related State contract entered into after the effective date of this section contains a clause that allows the Department or the Division to terminate the contract without cause upon 30 days' notice. Any contract subject to this section that is entered into on or after the effective date of this section but that lacks such a termination clause shall, nonetheless, be deemed to include such a termination clause and shall be cancellable without cause upon 30 days' notice.

SECTION 12H.20A.(b) This section is effective when it becomes law.

ADDITIONAL NOTICE ON SPAs

SECTION 12H.21.(a) G.S. 108A-54.1A reads as rewritten:

"**§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

…

(d) No fewer than 10 days prior to submitting an amendment to the State Plan to the federal government, the Department shall post the amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division that the amendment has been posted. This requirement shall not apply to draft or proposed amendments submitted to the federal government for comments but not submitted for approval. The amendment shall remain posted on the Department's Web site at least until the plan has been approved, rejected, or withdrawn. If the authority for submitting the amendment to the State Plan is pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to submitting an amendment to the federal government, the Department shall submit to the General Assembly members receiving notice under this subsection and to the Fiscal Research Division an explanation of the amendment, the need for the amendment, and the federal time limits required for implementation of the amendment.

(e) The Department shall submit an amendment to the State Plan to the federal government by a date sufficient to provide the federal government adequate time to review and approve the amendment so the amendment may be effective by the date required by the directing authority in subsection (b) of this section. Additionally, if a change is made to the Medicaid program by the General Assembly and that change requires an amendment to the State Plan, then the amendment shall be submitted at least 90 days prior to the effective date of the change as provided in the legislation.

(f) Any public notice required under 42 C.F.R. 447.205 shall, in addition to any other posting requirements under federal law, be posted on the Department's Web site. Upon posting such a public notice, the Department shall notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division that the public notice has been posted. Public notices shall remain posted on the Department's Web site."

SECTION 12H.21.(b) G.S. 108A-55(c) reads as rewritten:

"(c) The Department shall reimburse providers of services, equipment, or supplies under the Medical Assistance Program in the following amounts:

(1) The amount approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services, if ~~that Administration~~CMS approves an exact reimbursement ~~amount;~~amount.

(2) The amount determined by application of a method approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services, if ~~that Administration~~CMS approves the method by which a reimbursement amount is determined, and not the exact amount.

The Department shall establish the methods by which reimbursement amounts are determined in accordance with Chapter 150B of the General Statutes. A change in a reimbursement amount becomes effective as of the date for which the change is approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services. ~~The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the Senate Appropriations Committee on Human Resources and the House of Representatives Appropriations Subcommittee on Human Resources or the Joint Legislative Oversight Committee on Health and Human Services on any change in a reimbursement amount at the same time as it sends out public notice of this change prior to presentation to the Health Care Financing Administration.~~"

SECTION 12H.21.(c) By repealing language in subsection (b) of this section related to giving to the General Assembly notice of a public notice, it is not the intent of the General Assembly to remove the required notice of the changes to reimbursement amounts for services, equipment, or supplies. Rather, it is the intent that those notices be given pursuant to G.S. 108A-54.1A(f), rather than pursuant to both G.S. 108A-54.1A(f) and G.S. 108A-55(c).

SECTION 12H.21.(d) This section becomes effective September 1, 2014, and the amendment to G.S. 108A-54.1A(e) applies to State Plan Amendments with effective dates on or after December 1, 2014.

COMPREHENSIVE PROGRAM INTEGRITY CONTRACT

SECTION 12H.22.(a) No later than June 30, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) for one contract for the following program integrity functions:

(1) Postpayment reviews.
(2) Data analytics.
(3) Medical necessity reviews.
(4) Investigation.
(5) Recovery Audit Contracts.
(6) Prepayment review.

SECTION 12H.22.(b) The RFP required by this section shall request proposals that contain at least all the following information:

(1) Pricing.
(2) Proposed date contract would begin.
(3) The bidder's relevant experience.
(4) The measurable outcomes that would be delivered.
(5) A description of the results achieved in other states.

SECTION 12H.22.(c) No later than December 31, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Health and Human Services detailing the results of the RFP required by this section.

SECTION 12H.22.(d) The Department shall not enter into a contract as a result of the RFP required by this section until authorized by an act of the General Assembly.

SECTION 12H.22.(e) This section shall not apply to program integrity functions performed by LME/MCOs.

CLARIFY NOTICE OF EXTRAPOLATED OVERPAYMENTS

SECTION 12H.26.(a) G.S. 108C-5(i) reads as rewritten:

"(i) Prior to extrapolating the results of any audits, the Department shall demonstrate and inform the provider that (i) the provider failed to substantially comply with the requirements of State or federal law or regulation or (ii) the Department has a credible allegation of fraud concerning the provider. Nothing in the subsection shall be construed to prohibit the Department from identifying the extrapolated overpayment amount in the same notice that meets the requirements of this subsection."

SECTION 12H.26.(b) G.S. 108C-5 is amended by adding a new subsection to read:

"(t) Nothing in this Chapter shall be construed to prohibit the Department from utilizing a contractor to send notices to providers on behalf of the Department."

MODIFY MEDICAID APPEALS

SECTION 12H.27.(a) G.S. 108C-12(d) reads as rewritten:

"(d) Burden of Proof. – The ~~Department~~ petitioner shall have the burden of proof in appeals of Medicaid providers or applicants concerning an adverse determination."

SECTION 12H.27.(b) G.S. 108A-70.9B reads as rewritten:

"**§ 108A-70.9B. Contested Medicaid cases.**

…

(c) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108A-70.9A(e) or other clear request for a hearing by a Medicaid recipient, OAH shall immediately notify the Mediation Network of North Carolina, which shall contact the recipient within five days to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform OAH and the Department within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested Medicaid case until it has received notice from the mediator assigned that either: (i) the mediation was unsuccessful, or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. ~~Nothing in this subsection shall restrict the right to a contested case hearing.~~If the recipient accepts an offer of mediation and then fails to attend mediation without good cause, OAH shall dismiss the contested case.

(d) Burden of Proof. – The recipient has the burden of proof ~~to show entitlement to a requested benefit or the propriety of requested agency action when the agency has denied the benefit or refused to take the particular action. The agency has the burden of proof when the appeal is from an agency determination to impose a penalty or to reduce, terminate, or suspend a previously granted benefit. The party with the burden of proof on any issue~~ on all issues submitted to OAH for a Medicaid contested case hearing and has the burden of going ~~forward,~~ forward. ~~and the~~ The administrative law judge shall not make any ruling on the preponderance of evidence until the close of all evidence.

…."

SECTION 12H.27.(c) G.S. 108D-15(i) reads as rewritten:

"(i) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108D-15(f) or other clear request for a hearing by an enrollee, OAH shall immediately notify the Mediation Network of North Carolina, which shall contact the enrollee within five days to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform OAH and the LME/MCO within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested case involving a dispute of a managed care action until it has received notice from the mediator assigned that either (i) the mediation was unsuccessful, (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. ~~Nothing in this subsection shall restrict the right to a contested case hearing.~~If the enrollee accepts an offer of mediation and then fails to attend mediation without good cause, OAH shall dismiss the contested case."

SECTION 12H.27.(d) Subsection (a) of this section is effective when it becomes law and applies to contested cases filed at the Office of Administrative Hearings on or after that date. Subsections (b) and (c) of this section become effective October 1, 2014, and apply to appeals of notices of adverse determination mailed on or after that date and appeals of notices of resolution mailed on or after that date.

RFP FOR IMAGING UTILIZATION MANAGEMENT SERVICES CONTRACT

SECTION 12H.30.(a) The Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) for a contract for imaging utilization management services to ascertain whether the State can achieve better savings with an alternative vendor and, if so, enter into a contract with the alternative vendor. Such an RFP shall incorporate the same requirements as those specified in Section 10.68B of S.L. 2009-451, which was enacted by Section 6 of S.L. 2009-575.

SECTION 12H.30.(b) No later than March 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report on the results of this section to (i) the House Appropriations Subcommittee on Health and Human Services, (ii) the Senate Appropriations Committee on Health and Human Services, and (iii) the Fiscal Research Division.

AMBULANCE TRANSPORTS TO CRISIS CENTERS

SECTION 12H.32. The Department of Health and Human Services, Division of Medical Assistance, shall study the practice of reimbursing for ambulance transports that divert individuals in mental health crisis from hospital emergency departments to alternative appropriate locations for care. The Department shall study existing pilot programs in North Carolina, as well as other states, and shall specifically study expansion of the Wake County Emergency Medical Services (EMS) Advanced Practice Paramedics pilot program. The study shall do the following:

(1) Propose necessary Medicaid and mental health policy changes.
(2) Identify funding needs.
(3) Identify available funding sources.
(4) Identify any other actions that would be necessary to facilitate implementation.

The Department shall report its findings and recommendations to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services by March 1, 2015.

PARAGARD REIMBURSEMENT

SECTION 12H.33.(a) Beginning July 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall reimburse for Paragard using the same reimbursement methodology as is used for Implanon and Mirena.

SECTION 12H.33.(b) Any State plan amendment required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

BOTOX REIMBURSEMENT

SECTION 12H.33A. For the Medicaid and NC Health Choice Programs, the provider reimbursement rate for Botox, when provided in accordance with medical coverage policy, shall be the same as the pharmacy reimbursement rate. This section is effective when it becomes law.

REPORT ON PACE PROGRAM

SECTION 12H.34.(a) By October 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Health and Human Services with the following information on the Program of All-Inclusive Care for the Elderly (PACE):

(1) The number of individuals being served in each of the PACE service areas.
(2) A description of the program enrollment criteria and enrollment process.
(3) Detailed figures showing how funding for the program has been spent during the past two fiscal years.
(4) The per member per month cost of serving individuals through the PACE program compared to the cost of serving individuals in a nursing home.
(5) An estimate of how many PACE participants would enter a nursing home if they were not enrolled with the PACE program.

SECTION 12H.34.(b) By January 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall submit an additional report to the Joint Legislative Oversight Committee on Health and Human Services with the following information on the Program of All-Inclusive Care for the Elderly (PACE):

(1) An update on all of the information required by subsection (a) of this section.
(2) A comparison of North Carolina's PACE program to PACE programs in other states.
(3) Recommendations for how to make the program sustainable.

MEDICAID COUNTY OF ORIGIN

SECTION 12H.35.(a) The Department of Health and Human Services shall take measures to address issues arising when Medicaid recipients move residence from one county to another county and from one LME/MCO catchment area to another. The measures shall include the following:

(1) Reduce administrative burden on intermediate care facilities (ICFs) which contract with more than one LME/MCO.
(2) Engage the counties to create a plan to resolve issues related to the county of origin for social services and public assistance programs. The plan shall provide for uniform statewide policies for determining county of residence for Medicaid eligibility as well as for other social services and public assistance programs. The North Carolina Association of County Commissioners shall participate in the development of the plan.

SECTION 12H.35.(b) By February 1, 2015, the Department of Health and Human Services shall report to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services on the progress of the measures in subsection (a) of this Section. The report shall include the following:

(1) For the issues related to intermediate care facilities (ICFs) which contract with more than one LME/MCO:
    a. Identify measures taken to reduce administrative burden.
    b. Describe the adequacy of the measures taken.

c. Identify any additional measures that need to be taken and provide an expected time line for implementation of additional measures.

(2) For the county of origin issues:

a. Report the plan.

b. Propose necessary changes to law and policy.

c. Identify whether programming changes to NC FAST are needed and provide a detailed explanation of any costs associated with needed changes.

d. Provide an estimated time line for implementing the plan.

ALIGN ANNUAL MEDICAID BASIC BILLING UNIT LIMITS TO FISCAL YEAR

SECTION 12H.37.(a) Beginning July 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall require that annual Medicaid billing unit limits for services managed by the LME/MCOs be based upon the fiscal year, provided that this standardization can be accomplished with no net fiscal impact on General Fund appropriations.

SECTION 12H.37.(b) Any State Plan Amendment required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

MEDICAID CONTINGENCY RESERVE

SECTION 12H.38.(a) There is established in the General Fund the Medicaid Contingency Reserve. The Office of the State Controller shall reserve from funds available in the General Fund the sum of one hundred eighty-six million three hundred seventy-two thousand six hundred seventy-three dollars ($186,372,673) in recurring funds to the Medicaid Contingency Reserve. Funds in the Medicaid Contingency Reserve shall be used only for budget shortfalls in the Medicaid Program that occur during the 2014-2015 fiscal year. These funds shall be available for expenditure only upon an appropriation by act of the General Assembly.

SECTION 12H.38.(b) It is the intent of the General Assembly to appropriate funds from the Medicaid Contingency Reserve only if:

(1) The Director of the Budget, after the State Controller has verified that receipts are being used appropriately, has found that additional funds are needed to cover a shortfall in the Medicaid budget for the State fiscal year.

(2) The Department of Health and Human Services has submitted a State plan amendment to the Centers for Medicare and Medicaid Services to delink eligibility for Medicaid from eligibility for State-County Special Assistance, to be effective 90 days after the date of submission of the State plan amendment. At least 45 days prior to submitting that State plan amendment, the Department of Health and Human Services must have submitted a draft of that plan to the Joint Legislative Oversight Committee on Health and Human Services and, if the General Assembly was not in session, must have consulted with the Committee on that draft.

(3) The Director of the Budget has reported immediately to the Fiscal Research Division on the amount of the shortfall found in accordance with subdivision (1) of this subsection. This report shall include an analysis of the causes of the shortfall, such as (i) unanticipated enrollment and mix of enrollment, (ii) unanticipated growth or utilization within particular service areas, (iii) errors in the data or analysis used to project the Medicaid budget, (iv) the failure of the program to achieve budgeted savings, (v) other factors and market trends that have impacted the price of or spending for services, (vi) variations in receipts from prior years or from assumptions used to prepare the Medicaid budget for the current fiscal year, or (vii) other factors. The report shall also include data in an electronic format that is adequate for the Fiscal Research Division to confirm the amount of the shortfall and its causes.

SECTION 12H.38.(c) Effective 90 days after the State plan amendment is submitted to the Centers for Medicare and Medicaid Services (CMS) or when CMS approves the State plan amendment, whichever occurs later, eligibility for Medicaid coverage is delinked from eligibility for State-County Special Assistance and recipients of State-County Special

Assistance no longer automatically qualify for Medicaid coverage solely because of their receipt of State-County Special Assistance.

SECTION 12H.38.(d) Nothing in this section shall be construed to limit the authority of the Governor to carry out his duties under the Constitution.

SUBPART XII-I. MISCELLANEOUS

CONTROL OF DATA DISCLOSED TO THE NORTH CAROLINA HEALTH INFORMATION EXCHANGE BY REQUIRED PARTICIPANTS

SECTION 12I.1.(a) G.S. 90-413.3A(b) reads as rewritten:

"(b) Any hospital, as defined in ~~G.S. 131E-76(c),~~ G.S. 131E-76(3) that has an electronic health record system shall connect to the ~~NC HIE~~ HIE Network and submit individual patient demographic and clinical data on services paid for with Medicaid funds, based upon the findings set forth in subsection (a) of this section and notwithstanding the voluntary nature of the NC HIE under G.S. 90-413.2. The NC HIE shall give the Department of Health and Human Services real-time access to data and information ~~contained in the NC HIE.~~disclosed through the HIE Network. At the request of the Director of the Fiscal Research, Bill Drafting, Research, or Program Evaluation Divisions of the General Assembly, the NC HIE shall provide the professional staff of these Divisions with data and information responsive to the Director's request. Prior to providing the General Assembly's staff with any data or information disclosed through the HIE Network pursuant to this subsection, the NC HIE shall redact any personal identifying information in a manner consistent with the standards specified for de-identification of health information under the HIPAA Privacy Rule, 45 C.F.R. 164.15, as amended."

SECTION 12I.1.(b) G.S. 90-413.3A is amended by adding a new subsection to read:

"(c) Any data disclosed through the HIE Network pursuant to subsection (b) of this section shall be and will remain the sole property of the State. Any data or product derived from the data disclosed to the HIE Network pursuant to subsection (b) of this section, including a consolidation or analysis of the data, shall be and will remain the sole property of the State. The NC HIE shall not allow proprietary information it receives pursuant to this section to be used by any person or entity for commercial purposes."

SECTION 12I.1.(c) In order to ensure the successful, uninterrupted operation of the statewide health information exchange network (HIE Network), the Department of Health and Human Services (Department) shall develop a transition plan for transferring the responsibilities imposed on the NC HIE under Article 29A of the General Statutes to another entity in the event the NC HIE is unable or unwilling to continue overseeing and administering the HIE Network. The Department shall develop the plan in consultation with the Office of Information Technology Services and the NC HIE and submit the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than February 1, 2015.

ESTABLISHMENT OF TRAUMATIC BRAIN INJURY SUBCOMMITTEE OF THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES

SECTION 12I.2.(a) Notwithstanding G.S. 120-208.2(d), the cochairs of the Joint Legislative Oversight Committee on Health and Human Services shall establish a Traumatic Brain Injury (TBI) Subcommittee for the purpose of examining all of the following issues:

(1) Existing TBI services and any deficiencies in service array, quality of services, accessibility, and availability of services across each age group of persons with TBI regardless of the age at which the trauma occurred.

(2) Current inventory, availability, and accessibility of residential facilities specifically designed to service individuals with TBI.

(3) Existing TBI-specific service definitions for children and adults who receive services through federally funded programs, including Medicaid, federal block grants, and the Veterans Administration; through State-funded programs, including the Traumatic Brain Injury Trust Fund; through county-funded programs; and through other funding sources, as well as the need for additional or revised service definitions to meet the specific needs of those with TBI.

(4) Current reimbursement rates tied to settings that treat adults with TBI and the adequacy of these reimbursement rates.
(5) Current accessibility to TBI services, service information, educational materials, and family resources; and any deficiencies that need to be addressed.
(6) Current status of TBI-specific screening, assessment, triage, and service referrals for children, adults, and veterans; and any deficiencies that need to be addressed.
(7) This State's current organizational model for providing comprehensive needs assessment, information management, policy development, service delivery, monitoring, and quality assurance for children and adults with TBI as compared to TBI organizational structures in other states; and specific organizational models to manage services for persons with TBI that are well coordinated for all citizens, including veterans.
(8) Any other matters related to TBI services for children, adults, veterans, and their families.

SECTION 12I.2.(b) The cochairs of the Joint Legislative Oversight Committee on Health and Human Services shall appoint members to the Traumatic Brain Injury Subcommittee established pursuant to subsection (a) of this section from members of the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 12I.2.(c) The Traumatic Brain Injury Subcommittee established pursuant to subsection (a) of this section shall submit a final report of its findings and recommendations, including any proposed legislation, to the Joint Legislative Oversight Committee on Health and Human Services no later than December 15, 2014. The Subcommittee shall terminate upon the filing of its final report.

PED STUDY CONCERNING ALCOHOL AND SUBSTANCE ABUSE EDUCATION AND PREVENTION INITIATIVE TO BE FUNDED BY LOCAL ALCOHOLIC BEVERAGE CONTROL BOARDS.

SECTION 12I.3.(a) The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2014-2015 Work Plan for the Program Evaluation Division of the General Assembly a study of the benefits and disadvantages to the State of requiring local Alcoholic Beverage Control boards to (i) cease payments effective July 1, 2015, to the Department of Health and Human Services under G.S. 18B-805(b)(3) for alcoholism or substance abuse research, treatment, or education and (ii) redirect these payments to the North Carolina Alcoholic Beverage Control Commission, effective July 1, 2015, for an alcohol and substance abuse education and prevention initiative.

SECTION 12I.3.(b) If the Joint Legislative Program Evaluation Oversight Committee adds the study described in subsection (a) to its 2014-2015 Work Plan, the Program Evaluation Division shall submit its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee and the Fiscal Research Division no later than February 1, 2015.

REINSTATEMENT OF HOSPITAL SETOFF DEBT COLLECTION AGAINST TAX REFUNDS AND LOTTERY PRIZES

SECTION 12I.4.(a) G.S. 105A-2(2) reads as rewritten:

"(2) Debt. – Any of the ~~following:~~following, except as limited in sub-subdivision (f.) of this subdivision:
a. A sum owed to a claimant agency that has accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum.
b. A sum a claimant agency is authorized or required by law to collect, such as child support payments collectible under Title IV, Part D of the Social Security Act.
c. A sum owed as a result of an intentional program violation or a violation due to inadvertent household error under the Food and Nutrition Services Program enabled by Part 5 of Article 2 of Chapter 108A of the General Statutes.
d. Reserved for future codification purposes.

e. A sum owed as a result of having obtained public assistance payments under any of the following programs through an intentional false statement, intentional misrepresentation, intentional failure to disclose a material fact, or inadvertent household error:
1. The Work First Program provided in Article 2 of Chapter 108A of the General Statutes.
2. The State-County Special Assistance Program enabled by Part 3 of Article 2 of Chapter 108A of the General Statutes.
3. A successor program of one of these programs.

f. For any school of medicine, clinical program, facility, or practice affiliated with one of the constituent institutions of The University of North Carolina that provides medical care to the general public and for The University of North Carolina Health Care System and other persons or entities affiliated with or under the control of The University of North Carolina Health Care System, the term "debt" is limited to the sum owed to one of these entities by law or by contract following adjudication of a claim resulting from an individual's receipt of hospital or medical services at a time when the individual was covered by commercial insurance, Medicaid, Health Choice, Medicare, Medicare Advantage, a Medicare supplement plan, or any other government insurance."

SECTION 12I.4.(b) G.S. 105A-2(9) reads as rewritten:

"(9) State agency. – Any of the following:

a. A unit of the executive, legislative, or judicial branch of State ~~government, except for the following:~~
~~1. Any school of medicine, clinical program, facility, or practice affiliated with one of the constituent institutions of The University of North Carolina that provides medical care to the general public.~~
~~2. The University of North Carolina Health Care System and other persons or entities affiliated with or under the control of The University of North Carolina Health Care System.~~government.

b. A local agency, to the extent it administers a program supervised by the Department of Health and Human Services or it operates a Child Support Enforcement Program, enabled by Chapter 110, Article 9, and Title IV, Part D of the Social Security Act.

c. A community college."

SECTION 12I.4.(c) Notwithstanding any other provision of law, (i) the registration required under G.S. 105A-3 of any agency reauthorized to utilize the collection remedy of debt setoff under this section is not affected by the repeal of the authority under Section 12.1 of S.L. 2013-382 and (ii) the priority of the agency under G.S. 105A-12 is determined based on the registration date of the agency under the initial statutory authority to utilize the collection remedy of debt setoff.

SECTION 12I.4.(d) This section is effective when it becomes law and applies to tax refunds determined by the Department of Revenue on or after that date and to lottery prizes determined by the Lottery Commission on or after that date.

SUBPART XII-J. DHHS BLOCK GRANTS

REVISE DHHS BLOCK GRANTS

SECTION 12J.1. Section 12J.1 of S.L. 2013-360 reads as rewritten:

"**DHHS BLOCK GRANTS**

"**SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS	**FY2013-2014**	**FY2014-2015**

Local Program Expenditures			
Division of Social Services			
01.	Work First Family Assistance	$ 60,285,413	$ 60,285,413
02.	Work First County Block Grants	82,485,495	82,485,495
03.	Work First Electing Counties	2,352,521	2,352,521
04.	Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06.	Child Welfare Collaborative	632,416	632,416
06A.	Foster Care Services		1,385,152
Division of Child Development and Early Education			
07.	Subsidized Child Care Program	57,172,097~~55,409,695~~	54,054,806
08.	Swap Child Care Subsidy	6,352,644	6,352,644
08A.	Pre-K Swap Out		7,195,807
Division of Public Health			
09.	Teen Pregnancy Initiatives	2,500,000	2,500,000
DHHS Administration			
10.	Division of Social Services	2,482,260	2,482,260
11.	Office of the Secretary	34,042	34,042
Transfers to Other Block Grants			
Division of Child Development and Early Education			
12.	Transfer to the Child Care and Development Fund	71,773,001	71,773,001
Division of Social Services			
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	4,148,001

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		**$307,997,158**	**~~$306,234,756~~$ 313,460,826**
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS			
Local Program Expenditures			
Division of Social Services			
01.	Work First County Block Grants	$ 5,580,925	$ 5,580,925
02.	Work First Electing Counties	25,692	25,692
Division of Child Development and Early Education			
03.	Subsidized Child Care	6,549,469	~~6,549,469~~11,679,394
04.	Pre-K Swap Out		12,646,527
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		**$12,156,086**	**~~$ 12,156,086~~$ 29,932,538**
SOCIAL SERVICES BLOCK GRANT			
Local Program Expenditures			
Divisions of Social Services and Aging and Adult Services			
01.	County Departments of Social Services (Transfer from TANF $4,148,001)	$ 29,422,137	~~$ 29,422,137~~$ 27,427,015
02.	Child Protective Services (Transfer from TANF)	5,040,000	5,040,000
03.	State In-Home Services Fund	1,943,950	1,943,950
04.	Adult Protective Services	1,245,363	1,245,363
05.	State Adult Day Care Fund	1,994,084	1,994,084
06.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07.	Special Children Adoption Incentive Fund	462,600	462,600
08.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,696,888	1,696,888
10.	Child Advocacy Centers	375,000	375,000
11.	Guardianship	3,978,360	3,978,360

12.	UNC Cares Contract	229,376	~~229,376~~57,344
~~13.~~	~~Foster Care Services~~	~~1,385,152~~	~~1,385,152~~
	Division of Central Management and Support		
14.	DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
15.	Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,030,730	4,030,730
DHHS Program Expenditures			
	Division of Services for the Blind		
16.	Independent Living Program	3,361,323	3,361,323
	Division of Health Service Regulation		
17.	Adult Care Licensure Program	381,087	381,087
18.	Mental Health Licensure and Certification Program	190,284	190,284
DHHS Administration			
19.	Division of Aging and Adult Services	577,745	577,745
20.	Division of Social Services	559,109	559,109
21.	Office of the Secretary/Controller's Office	127,731	127,731
22.	Division of Child Development	13,878	13,878
23.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
24.	Division of Health Service Regulation	118,946	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT		**$ 62,877,557**	**~~$ 62,877,557~~$ 59,325,251**
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT			
Local Program Expenditures			
	Division of Social Services		
01.	Low-Income Energy Assistance Program (LIEAP)	$ 50,876,440	$ 50,876,440
02.	Crisis Intervention Program (CIP)	33,866,195	33,866,195
Local Administration			
	Division of Social Services		

03.	County DSS Administration	6,757,731	6,757,731
DHHS Administration			
04.	Office of the Secretary/DIRM	412,488	412,488
05.	Office of the Secretary/Controller's Office	18,378	18,378
Transfers to Other State Agencies			
	Department of Environment and Natural Resources (DENR)		
06.	Weatherization Program	14,947,789~~14,947,789~~	12,473,090
07.	Heating Air Repair and Replacement Program (HARRP)	7,193,873	~~7,193,873~~6,636,633
08.	Local Residential Energy Efficiency Service Providers – Weatherization	37,257	~~37,257~~692,950
09.	Local Residential Energy Efficiency Service Providers – HARRP	338,352	~~338,352~~312,227
10.	DENR Administration – Weatherization	37,257	~~37,257~~692,950
11.	DENR Administration – HARRP	338,352	~~338,352~~312,226
	Department of Administration		
12.	N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		**$ 114,911,848**	**~~$114,911,848~~$ 113,139,044**

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures			
	Division of Child Development and Early Education		
01.	Child Care Services (Smart Start $7,000,000)	$156,566,345	~~$158,328,747~~$ 168,536,136
02.	Electronic Tracking System	3,000,000	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	24,262,402	~~22,500,000~~24,168,551
DHHS Administration			
	Division of Child Development and Early Education		
05.	DCDEE Administrative Expenses	6,000,000	~~6,000,000~~7,677,977

	Division of Social Services		
06.	Local Subsidized Child Care Services Support	13,274,413	13,274,413
	Division of Central Administration		
07.	DHHS Central Administration – DIRM Technical Services	775,000	775,000
08.	Central Regional Maintenance		202,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		**$ 275,651,161**	**~~$275,651,161~~$ 289,407,078**
MENTAL HEALTH SERVICES BLOCK GRANT			
	Local Program Expenditures		
01.	Mental Health Services – Adult	$ 10,717,607	~~$ 10,717,607~~
02.	Mental Health Services – Child	5,121,991	~~5,121,991~~3,619,833
03.	Administration	200,000	200,000
04.	Mental Health Services – Adult/Child		12,398,643
05.	Crisis Solutions Initiative – Critical Time Intervention		750,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		**$ 16,039,598**	**~~$ 16,039,598~~$ 16,968,476**
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT			
	Local Program Expenditures		
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
~~01.~~	~~Substance Abuse Services – Adult~~	~~$ 14,960,371~~	~~$ 14,960,371~~
~~02.~~	~~Substance Abuse Treatment Alternative for Women~~	~~6,050,300~~	~~6,050,300~~
03.	Substance Abuse – HIV and IV Drug	3,919,723	3,919,723
~~04.~~	~~Substance Abuse Prevention – Child~~	~~7,186,857~~	~~7,186,857~~
04A.	Substance Abuse Prevention		8,669,284
~~05.~~	~~Substance Abuse Services – Child~~	~~4,190,500~~	~~4,190,500~~
05A.	Substance Abuse Services – Treatment for Children/Adults		29,519,883
05B.	Crisis Solutions Initiatives – Walk-In Crisis Centers		420,000
05C.	Crisis Solutions Initiatives – Collegiate		

	Wellness/Addiction Recovery		1,085,000
05D.	Crisis Solutions Initiatives – Community Paramedic Mobile Crisis Management		60,000
05E.	Crisis Solutions Initiatives – Innovative Technologies		41,000
05F.	Crisis Solutions Initiatives – Veterans Crisis		250,000
06.	Administration	454,000	454,000
	Division of Public Health		
~~07.~~	~~Risk Reduction Projects~~	~~575,654~~	~~575,654~~
~~08.~~	~~Aid-to-Counties~~	~~190,295~~	~~190,295~~
08A.	HIV Testing for Individuals in Substance Abuse Treatment		765,949
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		**$ 37,527,700**	**~~$ 37,527,700~~$ 45,184,839**

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	Children's Health Services (Safe Sleep Campaign ~~$45,000)~~ $45,000; Prevent Blindness $560,837)	$ 8,042,531	~~$ 8,042,531~~$ 7,574,703
02.	Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal Quality Collaborative $350,000; 17P Project $52,000; Carolina Pregnancy Care Fellowship ~~$250,000;~~$300,000; Nurse-Family Partnership $509,018)	8,532,935	~~8,532,935~~8,095,148
03.	Oral Health	44,901	44,901

DHHS Program Expenditures

Division of Public Health

04.	Children's Health Services	1,301,504	~~1,301,504~~1,300,578
05.	Women's Health – Maternal Health	105,419	~~105,419~~105,361
06.	State Center for Health Statistics	164,487	~~164,487~~156,230
07.	Health Promotion – Injury and Violence Prevention	89,374	~~89,374~~84,919

DHHS Administration

	Division of Public Health		
08.	Division of Public Health Administration	573,108	~~573,108~~552,571
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		**$ 18,854,259**	**~~$ 18,854,259~~$ 17,914,411**
PREVENTIVE HEALTH SERVICES BLOCK GRANT			
	Local Program Expenditures		
01.	Physical Activity and Prevention	$ 1,186,142	~~$ 1,186,142~~$ 2,034,060
02.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	169,730	~~169,730~~173,476
	DHHS Program Expenditures		
	Division of Public Health		
03.	HIV/STD Prevention and Community Planning	145,819	145,819
04.	Oral Health Preventive Services	46,302	46,302
05.	Laboratory Services – Testing, Training, and Consultation	10,980	~~10,980~~21,012
06.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	199,634	199,634
06A.	State Laboratory Services – Testing, Training, and Consultation		199,634
07.	Heart Disease and Stroke Prevention	162,249	~~162,249~~187,693
08.	Performance Improvement and Accountability	213,971	~~213,971~~738,784
09.	Physical Activity and Nutrition	38,000	~~38,000~~68,073
10.	State Center for Health Statistics	61,406	~~61,406~~107,291
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		**$ 2,234,233**	**~~$ 2,234,233~~$ 3,921,778**
COMMUNITY SERVICES BLOCK GRANT			
	Local Program Expenditures		
	Office of Economic Opportunity		
01.	Community Action Agencies	$ 22,402,724	~~$ 22,402,724~~$ 24,168,417
02.	Limited Purpose Agencies	1,244,596	~~1,244,596~~1,342,690
	DHHS Administration		
03.	Office of Economic Opportunity	1,244,596	~~1,244,596~~1,342,690

TOTAL COMMUNITY SERVICES	
BLOCK GRANT	**$ 24,891,916 ~~$ 24,891,916~~ $ 26,853,797**

"**GENERAL PROVISIONS**

"**SECTION 12J.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 12J.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 2013-2014 and 2014-2015, 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.~~children and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

"**SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a new schedule is enacted by the General Assembly.

"**SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

"**SECTION 12J.1.(e1)** Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance to Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block

Grant so long as the total allocation for the line items within those block grants remains the same.

"**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

"**SECTION 12J.1.(f)** The sum of eighty-two million four hundred eighty-five thousand four hundred ninety-five dollars ($82,485,495) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

"**SECTION 12J.1.(g)** The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

"**SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2013-2014 and 2014-2015 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

"**SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

"**SECTION 12J.1.(j)** The sum of six hundred thirty-two thousand four hundred sixteen dollars ($632,416) appropriated in this section to the Department of Health and Human Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to continue support for the Child Welfare Collaborative.

"**SOCIAL SERVICES BLOCK GRANT**

"**SECTION 12J.1.(k)** The sum of twenty-nine million four hundred twenty-two thousand one hundred thirty-seven dollars ($29,422,137) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for ~~each year of the 2013-2015 fiscal biennium~~the 2013-2014 fiscal year and the sum of twenty-seven million four hundred twenty-seven thousand fifteen dollars ($27,427,015) appropriated in this section in the Social Services Block Grant for the 2014-2015 fiscal year shall be used for county block grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

"**SECTION 12J.1.(l)** The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

"**SECTION 12J.1.(m)** The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

"**SECTION 12J.1.(n)** Social Services Block Grant funds appropriated for the Special Childrens Adoption Incentive Fund will require a fifty percent (50%) local match.

"**SECTION 12J.1.(o)** The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

"**SECTION 12J.1.(p)** The sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act for each year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

"**SECTION 12J.1.(q)** The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

"**SECTION 12J.1.(r)** The sum of three million nine hundred seventy-eight thousand three hundred sixty dollars ($3,978,360) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2013-2014 and 2014-2015 fiscal years.

"**LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

"**SECTION 12J.1.(s)** Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

"**SECTION 12J.1.(t)** The sum of fifty million eight hundred seventy-six thousand four hundred forty dollars ($50,876,440) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

(1) Ensure that eligible households are made aware of the available assistance with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.

(2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.

(3) Be approved by the local board of social services or human services board prior to submission.

"**CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

"**SECTION 12J.1.(u)** Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

"**SECTION 12J.1.(v)** If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

"**SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

"**SECTION 12J.1.(v1)** The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2014-2015 fiscal year shall be allocated to the Department of Administration, Division of Veterans Affairs, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Division of Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

"**MATERNAL AND CHILD HEALTH BLOCK GRANT**

"**SECTION 12J.1.(w)** 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 2013-2014 fiscal year or the 2014-2015 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 12J.1.(x)** The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program."

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

PLANT SCIENCES RESEARCH AND INNOVATION INITIATIVE

SECTION 13.1.(a) The funds appropriated by this act to the Department of Agriculture and Consumer Services for the Plant Sciences Research initiative shall be used by the Commissioner to develop jointly with the College of Agriculture and Life Sciences at North Carolina State University and other stakeholders a formal proposal and economic needs assessment for establishment of a public/private partnership between the University, other academic institutions, private companies in the agribusiness and bioscience sectors, the Department, and other State regulatory agencies for the following amounts and purposes: (i) the sum of three hundred fifty thousand dollars ($350,000) for a partnership to be known as the "Plant Sciences Research and Innovation Initiative" and (ii) the sum of two hundred fifty thousand dollars ($250,000) for a partnership to be known as the "Food Processing Initiative."

SECTION 13.1.(b) The Department and North Carolina State University shall jointly submit a copy of the proposal and report on the results of the economic needs

assessment to the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, the Agriculture and Forestry Awareness Study Commission, and the Fiscal Research Division by January 1, 2015.

BEDDING LAW ACCOUNT FUND

SECTION 13.1A. The Department of Agriculture and Consumer Services may use funds from the Bedding Law Account not transferred pursuant to Section 2.2 of this act for the information technology needs of the Structural Pest Control & Pesticides Division of the Department. Any information technology project undertaken by the Department under the authorization granted by this section shall comply with Article 3D of Chapter 147 of the General Statutes. By February 1, 2015, and more frequently as requested, the Department shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division regarding the implementation of any information technology project undertaken by or on behalf of the Structural Pest Control & Pesticides Division.

STATE FAIR ADMISSION

SECTION 13.2.(a) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

(26) The Board of Agriculture in the Department of Agriculture and Consumer Services with respect to annual admission fees for the State Fair. The Board shall annually post the admission fee schedule on its Web site and provide notice of the fee schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d)."

SECTION 13.2.(b) This section is effective when it becomes law.

FARMLAND PRESERVATION TRUST FUND

SECTION 13.2A. Funds appropriated by this act to the North Carolina Agricultural Development and Farmland Preservation Trust Fund for protection of military buffers may only be used to match funding from the federal government for that purpose on at least an equal basis and shall otherwise revert as set forth in G.S. 143C-1-2.

AGRICULTURAL WELL DEVELOPMENT AS CRITERIA FOR AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM FUNDING

SECTION 13.3.(a) G.S. 139-60(c)(3) reads as rewritten:

"(3) Establish criteria to allocate funds to local soil and water conservation districts. The criteria shall include the development of agricultural wells."

SECTION 13.3.(b) This section is effective when it becomes law.

"GOT TO BE NC" MARKETING CAMPAIGN TO BE THE OFFICIAL AGRICULTURAL MARKETING CAMPAIGN FOR THE STATE

SECTION 13.4. G.S. 106-550 reads as rewritten:

"**§ 106-550. Policy as to promotion of use of, and markets for, farm products.**

(a) It is declared to be in the interest of the public welfare that the North Carolina farmers who are producers of livestock, poultry, seafood, field crops and other agricultural products, including cattle, sheep, broilers, turkeys, commercial eggs, peanuts, cotton, potatoes, sweet potatoes, peaches, apples, berries, vegetables and other fruits of all kinds, as well as bulbs and flowers and other agricultural products having a domestic or foreign market, shall be permitted and encouraged to act jointly and in cooperation with growers, handlers, dealers and processors of such products in promoting and stimulating, by advertising and other methods, the increased production, use and sale, domestic and foreign, of any and all of such agricultural commodities. The provisions of this Article, however, shall not include the agricultural products of tobacco, strawberries, strawberry plants, porcine animals, or equines, with respect to which separate provisions have been made.

(b) The "Got to be NC" marketing campaign of the Department of Agriculture and Consumer Services shall be the official agricultural marketing campaign for the State."

DACS RESEARCH STATIONS

SECTION 13.8. G.S. 106-6.3 reads as rewritten:

"**§ 106-6.3. Create special revenue fund for research stations.**

The Research Stations Fund is established as a special revenue fund within the Department of Agriculture and Consumer Services, Division of Research Stations. This Fund shall consist of receipts from the sale of commodities produced on the Department's research stations and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance exceeding one million dollars ($1,000,000) ~~remaining~~ in this Fund at the end of any fiscal year shall ~~not revert.~~revert to the General Fund. The Department ~~may~~ shall use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in research stations operated by the Department's Research ~~Station~~ Stations Division."

CERTIFICATION OF PRIVATE PESTICIDE APPLICATORS

SECTION 13.10.(a) G.S. 143-440(b) reads as rewritten:

"(b) The Board may include in any such restricted use regulation the time and conditions of sale, distribution, or use of such restricted use pesticides, may prohibit the use of any restricted use pesticide for designated purposes or at designated times; may require the purchaser or user to certify that restricted use pesticides will be used only as labeled or as further restricted by regulation; may require the certification and recertification of private applicators, and charge a fee of up to ten dollars ($10.00), with the fee set at a level to make the certification/recertification program self-supporting, and, after opportunity for a hearing, may suspend, revoke or modify the certification for violation of any provision of this Article, or any rule or regulation adopted thereunder; may adopt rules to classify private applicators; and may, if it deems it necessary to carry out the provisions of this Part, require that any or all restricted use pesticides shall be purchased, possessed, or used only under permit of the Board and under its direct supervision in certain areas and/or under certain conditions or in certain quantities or concentrations except that any person licensed to sell such pesticides may purchase and possess such pesticides without a permit. The Board may require all persons issued such permits to maintain records as to the use of the restricted use pesticides. The Board may authorize the use of restricted use pesticides by persons licensed under the North Carolina Structural Pest Control Act without a permit. A nonrefundable fee of ten dollars ($10.00) shall be charged for each examination required by this section. This examination fee is in addition to the certification or recertification fee, and any other fee authorized pursuant to any other provision of Article 4C of Chapter 106 of the General Statutes."

SECTION 13.10.(b) The Structural Pest Control Committee shall adopt rules regarding ancillary activities that may be performed in association with the control of wood-destroying organisms or household pests as regulated by Article 4C of Chapter 106 of the General Statutes. The rules shall include, at a minimum, the following:

(1) Specification of the categories of ancillary activities that may be exempted from structural pest control licensing requirements or may be performed by unlicensed persons acting under the direct supervision of a structural pest control licensee. These categories shall include, but not be limited to, the moving of furniture or bedding, as defined in G.S. 106-65.95, and the cleaning, maintenance, or repair of property.

(2) Provisions allowing persons engaged in exempt ancillary activities or performing ancillary activities under the direct supervision of a certified applicator to be engaged in such activities, whether as an employee, independent contractor, or otherwise, for one or more structural pest control licensees.

SECTION 13.10.(c) The Structural Pest Control Committee may issue rules pursuant to subsection (b) of this section without complying with the requirements of Article 2A of Chapter 150B of the General Statutes. The Committee shall post proposed rules on its Web site within two weeks of the date this act becomes law and provide notice of the rules, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d). The authority to adopt rules without complying with the requirements of Article 2A of Chapter 150B of the General Statutes shall expire on July 1,

2016, and the Department shall adopt permanent rules to implement subsection (b) of this section by that date.

INCREASE FEES ASSOCIATED WITH NATIONAL POULTRY IMPROVEMENT PLAN

SECTION 13.11.(a) G.S. 106-543 reads as rewritten:

"**§ 106-543. Requirements of ~~national poultry improvement plan~~ National Poultry Improvement Plan must be met.**

(a) All baby chicks, turkey poults and hatching eggs ~~produced,~~ sold or offered for sale shall originate in flocks that meet the requirements of the ~~national poultry improvement plan~~National Poultry Improvement Plan as administered by the North Carolina Department of Agriculture and Consumer Services and the regulations issued by authority of this Article for the control of pullorum disease and other infectious diseases provided that nothing in this Article shall require any hatchery to adopt the ~~national poultry improvement plan.~~National Poultry Improvement Plan.

(b) The Department of Agriculture and Consumer Services shall charge the following fees for certification in the National Poultry Improvement Plan to cover the costs of pullorum testing:

(1) An initial certification fee of fifty dollars ($50.00), plus ten cents (10¢) per bird.

(2) An annual recertification fee of ten dollars ($10.00), plus ten cents (10¢) per bird."

SECTION 13.11.(b) This section is effective when it becomes law and applies to certifications or recertifications issued on or after that date.

FEES FOR FOREST MANAGEMENT PLANS

SECTION 13.13.(a) Article 82 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-1004. Fees for forest management plans.**

The Board of Agriculture shall establish by rule a schedule of fees for the preparation of forest management plans developed pursuant to Article 83 of this Chapter. The fees established by the Board shall not exceed the amount necessary to offset the costs of the Department of Agriculture and Consumer Services to prepare forest management plans."

SECTION 13.13.(b) The Board of Agriculture may set fees to implement this section without complying with the requirements of Article 2A of Chapter 150B of the General Statutes. When this act becomes law, the Board shall post the fee schedule on its Web site and provide notice of the fee schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d). The authority to adopt fees without complying with the requirements of Article 2A of Chapter 150B of the General Statutes shall expire on July 1, 2016, and the Department shall adopt permanent rules to implement this section by that date.

TVA SETTLEMENT FUNDS

SECTION 13.15. Section 13.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 13.3.(a)** In each fiscal year of the 2013-2015 biennium, the Department of Agriculture and Consumer Services shall apply for two million two hundred forty thousand dollars ($2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in State of Alabama et al. v. Tennessee Valley Authority, Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance Agreement. The funds received by the State under this section shall be allocated as follows:

(1) Five hundred thousand dollars ($500,000) for each fiscal year of the 2013-2015 biennium to award grants for "Environmental Mitigation Projects" of the types specified in paragraph 128 of the Consent Decree in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.

(2) Five hundred thousand dollars ($500,000) for ~~each fiscal year of the 2013-2015 biennium~~ the 2013-2014 fiscal year to the North Carolina Agricultural Water Resources Assistance Program to fund projects in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.

(2a) Five hundred thousand dollars ($500,000) for the 2014-2015 fiscal year to WNC Communities to fund lighting efficiency projects for public schools in areas served by the organization. Of the funds allocated in this subdivision, WNC Communities may use up to fifty thousand dollars ($50,000) for administrative expenses.

(3) One million dollars ($1,000,000) for each fiscal year of the 2013-2015 biennium to North Carolina Agricultural Development and Farmland Preservation Trust Fund to be used, notwithstanding G.S. 106-744, to award funds in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.

(4) Two hundred forty thousand dollars ($240,000) for each fiscal year of the 2013-2015 biennium to the Appalachian Energy Center at Appalachian State University.

"**SECTION 13.3.(b)** Funds allocated under subdivision (1) of subsection (a) of this section shall not be used to acquire ~~land.~~land or purchase conservation easements."

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

AGENCIES REPORT ON FEDERAL GRANTS

SECTION 14.1. The Department of Environment and Natural Resources, the Wildlife Resources Commission, the Department of Labor, the Department of Commerce, and the Department of Agriculture and Consumer Services shall review every active federal grant received by the respective departments and report no later than February 1, 2015, to the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division regarding the source and amount of the grant, the match or maintenance of effort required for the grant from State funds, and any conditions, limitations, restrictions, or additional actions or programs the department is required to fulfill or undertake as a result of accepting the grant.

NER FACILITIES AND ADMINISTRATIVE FEES

SECTION 14.2. The Department of Agriculture and Consumer Services, the Department of Commerce, the North Carolina Biotechnology Center, and the Department of Environment and Natural Resources shall negotiate indirect cost waivers with every constituent institution of The University of North Carolina performing State-funded research for the Center or the respective Departments. The waivers shall provide that the Center or the Departments pay facilities and administrative costs at a rate no greater than the lowest rate paid by any other State agency, department, or commission for research at that constituent institution.

EFFICIENCIES REPORTING BY NER AGENCIES

SECTION 14.2A.(a) The Wildlife Resources Commission and the Departments of Environment and Natural Resources, Labor, Commerce, and Agriculture and Consumer Services that have, within the current biennium, as defined in G.S. 143C-1-1, undergone reorganizations, modifications to assignments or duties, or transfers of departmental functions or positions between fund codes shall submit a report as provided in this section. The report shall address the rationale for the reorganization or other administrative modifications, the efficiencies achieved, and the cost-savings resulting from the reorganization or other administrative modifications, including, at a minimum, the following:

(1) Positions eliminated.
(2) Positions transferred among divisions, sections, or programs.
(3) New divisions, sections, and programs established.

(4) A comparison of the organizational charts before and after the reorganizations or other administrative modifications with each structural change clearly identified.
(5) A list of divisions, sections, and programs that were unaffected by the reorganizations or other administrative modifications.
(6) Resulting cost-savings, itemized by funding source.
(7) An explanation of improvements in the administrative capability of the department to manage its programs and carry out its mission.
(8) An identification of any obsolete or overlapping activities.

SECTION 14.2A.(b) Each department shall submit its report to the Chairs of the House Appropriations Subcommittee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources and the Fiscal Research Division of the General Assembly no later than December 1, 2014.

AQUARIUM FUND FEE TRANSFERS

SECTION 14.2C. G.S. 143B-289.44 reads as rewritten:

"**§ 143B-289.44. North Carolina Aquariums; fees; fund.**

(a) Fees. – The Secretary of Environment and Natural Resources may adopt a schedule of fees for the aquariums and piers operated by the North Carolina Aquariums, including:
(1) Gate admission fees.
(2) Facility rental fees.
(3) Educational programs.

(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special and nonreverting fund. The North Carolina Aquariums Fund shall be used for repair, renovation, expansion, maintenance, educational exhibit construction, and operational expenses at existing aquariums, to pay the debt service and lease payments related to the financing of expansions of aquariums, and to match private funds that are raised for these purposes.

(c) Disposition of Fees. – All entrance fee receipts shall be credited to the North Carolina Aquariums Fund. Receipts so credited that are necessary to support the personnel and operational expenses of the aquariums shall be transferred to the aquariums' General Fund operating budget on a monthly basis.

…."

HOUSING PROGRAMS STUDY

SECTION 14.3.(a) The Office of State Budget and Management shall study the various programs related to housing conducted by State departments, agencies, and commissions, including the weatherization program of the Department of Environment and Natural Resources. The Office shall include examinations of the following in the study:
(1) Overlap or duplication between programs and the possible cost-savings or other benefits from the merger of certain housing programs.
(2) Unmet needs or gaps in the State's housing programs, when compared to services or programs offered by other states.
(3) Any recommendations for changes in housing program governance for programs that are outside or only marginally within the core mission of their governing department, agency, or commission.

SECTION 14.3.(b) No later than February 1, 2015, the Office of State Budget and Management shall submit its findings and recommendations to the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division.

COASTAL AND ESTUARINE WATER BEACH ACCESS PROGRAM

SECTION 14.4.(a) Funds transferred from the Parks and Recreation Trust Fund to the Division of Coastal Management pursuant to G.S. 113-44.15(b)(3) for the Coastal and Estuarine Water Beach Access Program shall be deposited in a noninterest-bearing special fund to be titled Coastal and Estuarine Water Beach Access Fund. The Fund shall be a special revenue fund consisting of gifts and grants to the Fund and other monies appropriated to the Fund by the General Assembly.

SECTION 14.4.(b) Funds previously transferred from the Parks and Recreation Trust Fund to the Division of Coastal Management for the Coastal and Estuarine Water Beach Access Program that were deposited in capital funds shall be transferred to the Coastal and Estuarine Water Beach Access Fund established by subsection (a) of this section no later than September 30, 2014.

CAROLINA BEACH STATE PARK MARINA

SECTION 14.5.(a) The Department of Environment and Natural Resources, Division of Parks and Recreation, shall issue a request for information (RFI) to solicit proposals for a sublease to private parties for the operation of the State-owned marina at Carolina Beach State Park. The RFI shall contain sufficient detail to address the following:

(1) The services to be performed by the private party and performance expectations.
(2) Payment and record-keeping requirements.
(3) Compliance with State parks system rules and regulations and standards of the Division of Coastal Management's Clean Marina program.

SECTION 14.5.(b) The Division of Parks and Recreation shall report to the chairs of the Senate Appropriations Committee on Natural and Economic Resources, the chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division no later than February 1, 2015, on the results of the RFI and whether it is more cost-effective to have a private party manage the marina than internal management.

OREGON INLET

SECTION 14.7.(a) Acquisition Agreement. – Notwithstanding Chapter 146 of the General Statutes or any other provision of law, the Department of Administration, on behalf of the State, shall seek to initiate negotiations with the appropriate agency of the federal government for an agreement to acquire the federally owned property described in subsection (f) of this section from the federal government in exchange for State-owned real property.

SECTION 14.7.(b) Terms. – The Secretary of the Department of Administration shall have the authority to negotiate the terms of the acquisition agreement. The agreement (i) shall provide for the acquisition of interests in real property described in subsection (h) of this section and no other; (ii) shall provide that the conveyances described in the agreement become effective as soon as practicable; and (iii) shall incorporate the relevant terms of this act.

SECTION 14.7.(c) Execution of Deeds. – Within 30 days of the acquisition becoming effective, the Attorney General shall execute any documents or deeds necessary to effectuate the acquisition under the exact terms set forth in the acquisition agreement. All State agencies and officials shall cooperate to the fullest extent possible in effectuating the acquisition agreement.

SECTION 14.7.(d) Reporting. – Within 30 days after an agreement is entered into pursuant to this section, the Secretary of the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations on the terms of the agreement.

SECTION 14.7.(e) Creation of Oregon Inlet State Park. – If the real property described in subsection (h) of this section is acquired by the State, then together with any other real property owned by the State within the area described in subsection (f) of this section, the General Assembly authorizes the Department of Environment and Natural Resources to add Oregon Inlet State Park, which shall consist of at least these properties, to the State Parks System as provided in G.S. 113-44.14(b).

SECTION 14.7.(f) Federal Property to Be Conveyed. – The federally owned property to be conveyed shall include all of the federal government's right, title, and interest in (i) some or all of the subaerial real property located within the area described by connecting the following latitude and longitude points and (ii) all of the submerged real property located within the area described by connecting the following latitude and longitude points:

Latitude:	Longitude:
35.78099563900	-75.52953510600
35.78178528500	-75.52513394400
35.78141354400	-75.52334019100
35.77887390700	-75.52025162500
35.77857436500	-75.51969654900

35.77781290800	-75.51900873900
35.77734893400	-75.51884305500
35.77110009400	-75.51641608800
35.76633568000	-75.51356516200
35.76116258500	-75.51036495800
35.75751496100	-75.50801176500
35.75608651600	-75.51228522200
35.75777480300	-75.51379949200
35.75860596900	-75.51451482100
35.75960484700	-75.51540263600
35.76100041400	-75.51665469900
35.76117351400	-75.51681019600
35.76212525300	-75.51767780700
35.76287562800	-75.51836186100
35.76316770200	-75.51862812200
35.76381492400	-75.51921814800
35.76415098700	-75.51955669900
35.76445468400	-75.51995078300
35.76485826900	-75.52059025200
35.76505577400	-75.52094720300
35.76528160600	-75.52142243500
35.76548548000	-75.52198988800
35.76556574300	-75.52341266800
35.76566877400	-75.52523906000
35.76454632200	-75.52902085700
35.76357138700	-75.53246190700
35.76337226200	-75.53339199600
35.76333441200	-75.53364756500
35.76332909000	-75.53390886900
35.76335819500	-75.53458675100
35.76341367100	-75.53498008200
35.76354478800	-75.53535025300
35.76361737400	-75.53547511500
35.76383009500	-75.53584104000
35.76425804000	-75.53655388200
35.76471137600	-75.53740653000
35.76502225800	-75.53875413900
35.76521060100	-75.54081681300
35.76523404100	-75.54194712400
35.76525043500	-75.54273769600
35.76526768700	-75.54353888100
35.76532715800	-75.54394387700
35.76541340600	-75.54428520100
35.76550080400	-75.54463107400
35.76577010000	-75.54534161500
35.76597248500	-75.54579049600
35.76632062300	-75.54620555000
35.76655164400	-75.54635947100
35.76725670200	-75.54660003000
35.76764041200	-75.54670534600
35.76795847900	-75.54670661900
35.77077784300	-75.54629895400
35.77115918300	-75.54624921300
35.77148150500	-75.54619720600
35.77234520600	-75.54605784500
35.77377517700	-75.54582711000
35.77469339200	-75.54566942900
35.77590248800	-75.54531166000
35.77673545200	-75.54571296000

35.77711645600	-75.54582301200
35.77742981800	-75.54581293600
35.77771608200	-75.54572387500
35.77791539100	-75.54559449800
35.77810904100	-75.54546879500
35.77904847600	-75.54478184500
35.77912430900	-75.54486803600
35.77981427400	-75.54534862400
35.78042966800	-75.54567367500
35.78135818100	-75.54600030500
35.78175635200	-75.54606539500
35.78221194600	-75.54612839200
35.78279713100	-75.54636296300
35.78378882800	-75.54668308800
35.78766932400	-75.54709605000
35.79082109200	-75.54691243300
35.79820587700	-75.54665906000
35.79859286600	-75.54249624600
35.80046065100	-75.53877586500
35.79408521600	-75.53252823100
35.79248815800	-75.53183764800
35.79151104100	-75.53197071600
35.78867341400	-75.53323291600
35.76886839300	-75.52536743000
35.76724598100	-75.52438052100
35.76805629700	-75.52240411900
35.76966632600	-75.52339266000
35.76886839300	-75.52536743000.

SECTION 14.7.(g) Condemnation Authority. – On July 1, 2015, the Department of Administration shall, in accordance with applicable law and terms reserved in any relevant deeds, commence condemnation proceedings on all federally owned property that are necessary to manage existing and future transportation corridors on the Outer Banks, as determined pursuant to subsection (h) of this section. The Department of Administration shall report the commencement of condemnation proceedings to the General Assembly, as follows:

(1) If the General Assembly is in session, the Department shall report to the chairs of the House of Representatives Appropriations Committee, the chairs of the Senate Appropriations Committee, and the Fiscal Research Division.

(2) If the General Assembly is not in session, the Department shall report to the chairs of the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

SECTION 14.7.(h) Identification of Outer Banks Transportation Corridor. – No later than November 30, 2014, the Department of Transportation shall identify federally owned property that is necessary to construct or to manage existing and future transportation corridors on the Outer Banks and shall report this information to the chairs of the Joint Legislative Transportation Oversight Committee, to the Secretary of the Department of Administration, and to the Fiscal Research Division.

SECTION 14.7.(i) G.S. 166A-19.30(a) reads as rewritten:

"**§ 166A-19.30. Additional powers of the Governor during state of emergency.**

(a) In addition to any other powers conferred upon the Governor by law, during a gubernatorially or legislatively declared state of emergency, the Governor shall have the following powers:

(1) To utilize all available State resources as reasonably necessary to cope with an emergency, including the transfer and direction of personnel or functions of State agencies or units thereof for the purpose of performing or facilitating emergency services.

(2) To take such action and give such directions to State and local law enforcement officers and agencies as may be reasonable and necessary for the purpose of securing compliance with the provisions of this Article and with the orders, rules, and regulations made pursuant thereto.

(3) To take steps to assure that measures, including the installation of public utilities, are taken when necessary to qualify for temporary housing assistance from the federal government when that assistance is required to protect the public health, welfare, and safety.

(4) Subject to the provisions of the State Constitution to relieve any public official having administrative responsibilities under this Article of such responsibilities for willful failure to obey an order, rule, or regulation adopted pursuant to this Article.

(5) Through issuance of an executive order to waive requirements for an environmental document or permit issued under Articles 1, 4, and 7 of Chapter 113A of the General Statutes for the repair, protection, safety enhancement, or replacement of a component of the State highway system that provides the sole road access to an incorporated municipality or an unincorporated inhabited area bordering the Atlantic Ocean or any coastal sound where bridge or road conditions as a result of the events leading to the declaration of the state of emergency pose a substantial risk to public health, safety, or welfare. The executive order shall list the duration of the waiver and the activities to which the waiver applies. For purposes of this subdivision, "coastal sound" shall have the definition set forth in G.S. 113A-103, and "replacement" shall not be interpreted to exclude a replacement that increases size or capacity or that is located in a different location than the component that is replaced."

SECTION 14.7.(j) G.S. 113A-12 is amended by adding a new subdivision to read:

"(7) The issuance of an executive order under G.S. 166A-19.30(a)(5) waiving the requirement for an environmental document."

SECTION 14.7.(k) G.S. 113A-52.01 reads as rewritten:

"**§ 113A-52.01. Applicability of this Article.**

This Article shall not apply to the following land-disturbing activities:

…

(4) For the duration of an emergency, activities essential to protect human ~~life.~~life, including activities specified in an executive order issued under G.S. 166A-19.30(a)(5)."

SECTION 14.7.(l) G.S. 113A-103(5)b.1. reads as rewritten:

"**§ 113A-103. Definitions.**

As used in this Article:

…

(5) a. "Development" means any activity in a duly designated area of environmental concern (except as provided in paragraph b of this subdivision) involving, requiring, or consisting of the construction or enlargement of a structure; excavation; dredging; filling; dumping; removal of clay, silt, sand, gravel or minerals; bulkheading, driving of pilings; clearing or alteration of land as an adjunct of construction; alteration or removal of sand dunes; alteration of the shore, bank, or bottom of the Atlantic Ocean or any sound, bay, river, creek, stream, lake, or canal; or placement of a floating structure in an area of environmental concern identified in G.S. 113A-113(b)(2) or (b)(5).

b. The following activities including the normal and incidental operations associated therewith shall not be deemed to be development under this section:

1. Work by a highway or road agency for the maintenance of an existing road, if the work is carried out on land within the boundaries of the existing ~~right-of-way;~~right-of-way, or for emergency repairs and safety enhancements of an existing road as described in an executive order issued under G.S. 166A-19.30(a)(5)."

SECTION 14.7.(m) Notwithstanding the provisions of Chapter 146 of the General Statutes, Article 9A of Chapter 113A of the General Statutes, or any other provision of law, neither the Governor nor the Council of State shall be required to approve any conveyance, exchange, or condemnation made pursuant to this section. Notwithstanding any other provision

of law, consultation with or reporting to the Joint Legislative Commission on Governmental Operations shall not be required prior to the conveyance, exchange, or condemnation, except as set forth in subsection (h) of this section.

TECHNICAL CORRECTIONS: CWMTF

SECTION 14.8.(a) G.S. 113A-251 reads as rewritten:

"**§ 113A-251. Purpose.**

~~The General Assembly recognizes that a critical need exists in this State to clean up pollution in the State's surface waters and to protect, preserve, and conserve those waters that are not yet polluted. The task of cleaning up polluted waters and protecting and enhancing the State's water resources is multifaceted and requires different approaches, including innovative pilot projects, that take into account the problems, the type of pollution, the geographical area, and the recognition that the hydrological and ecological values of each resource sought to be upgraded, conserved, and protected are unique.~~

It is the intent of the General Assembly that moneys from the Fund created under this Article shall be used to help finance projects that enhance or restore degraded surface waters; protect and conserve surface waters, including drinking supplies, and contribute toward a network of riparian buffers and greenways for environmental, educational, and recreational benefits; provide buffers around military bases to protect the military mission; acquire land that represents the ecological diversity of North Carolina; and acquire land that contributes to the development of a balanced State program of historic properties.~~specifically address water pollution problems and focus on upgrading surface waters, eliminating pollution, and protecting, preserving, and conserving unpolluted surface waters, including enhancement or development of drinking water supplies. It is the further intent of the General Assembly that moneys from the Fund also be used to build a network of riparian buffers and greenways for environmental, educational, and recreational benefits. It is lastly the intent of the General Assembly that moneys from the Fund also be used to preserve lands that could be used for water supply reservoirs. While the purpose of this Article is to focus on the cleanup and prevention of pollution of the State's surface waters, the establishment of a network of riparian buffers and greenways, and the preservation of property for establishing clean water supplies, the General Assembly believes that the results of these efforts will also be beneficial to wildlife and marine fisheries habitats.~~"

SECTION 14.8.(b) G.S. 113A-252 reads as rewritten:

"**§ 113A-252. Definitions.**

The following definitions apply in this Article:

(1) Council. – The advisory council for the Clean Water Management Trust Fund.

~~(2) Economically distressed local government unit. – An economically distressed county, as defined in G.S. 143B-437.01, or a local government unit located in that county.~~

(3) Fund. – The Clean Water Management Trust Fund created pursuant to this Article.

(4) Land. – Real property and any interest in, easement in, or restriction on real property.

(4a) Local government unit. – Defined in G.S. 159G-20.

~~(4b) Stormwater quality project. – Defined in G.S. 159G-20.~~

(5) Trustees. – The trustees of the Clean Water Management Trust Fund.

~~(6) Wastewater collection system. – Defined in G.S. 159G-20.~~

~~(7) Wastewater treatment works. – Defined in G.S. 159G-20.~~"

SECTION 14.8.(c) G.S. 113A-254 reads as rewritten:

"**§ 113A-254. Grant requirements.**

(a) Eligible Applicants. – Any of the following are eligible to apply for a grant from the Fund for the purpose of protecting and enhancing water quality:

(1) A State agency.

(2) A local government unit.

(3) A nonprofit corporation whose primary purpose is the conservation, preservation, ~~and~~ or restoration of our State's ~~environmental and natural~~ cultural, environmental, or natural resources.

(a1) Criteria. – The criteria developed by the Trustees under G.S. 113A-256 apply to grants made under this Article. ~~The common criteria for water projects set in G.S. 159G-23 and the criteria set out in this section also apply to wastewater collection system projects, wastewater treatment works projects, and stormwater quality projects. An application for a wastewater collection system project or a wastewater treatment works project that serves an economically distressed local government unit has priority.~~

…

~~(d) Wastewater Limits. – A wastewater collection system project or a wastewater treatment works project is eligible for a grant under this Article only if it is a high-unit-cost project, as defined in G.S. 159G-20. A planning grant or a technical assistance grant for a regional wastewater collection system or a regional wastewater treatment works is not subject to the high-unit-cost threshold. A grant made under this Article for a wastewater collection system project or a wastewater treatment works project is subject to the cost limits and recipient limits set in G.S. 159G-36 for a grant awarded from the Wastewater Reserve.~~

~~(e) Stormwater Limits. – The amount of a grant awarded under this Article for a stormwater quality project may not exceed the construction costs of the project. The total amount of grants awarded under this Article to the same recipient for stormwater quality projects for a fiscal year may not exceed the limit set in G.S. 159G-36(c)(1) for grants to the same recipient from the Wastewater Reserve.~~

…."

SECTION 14.8.(d) G.S. 113A-255(b1) is amended by adding a new subdivision to read:

"(b1) Qualifications. – The office of Trustee is declared to be an office that may be held concurrently with any other executive or appointive office, under the authority of Article VI, Section 9, of the North Carolina Constitution. When appointing members of the Authority, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives shall give consideration to adequate representation from the various regions of the State and shall give consideration to the appointment of members who are knowledgeable in any of the following areas:

…

(5) Historic preservation."

SECTION 14.8.(e) G.S. 113A-256(b) reads as rewritten:

"(b) Develop Grant Criteria. – The Trustees shall develop criteria for awarding grants under this Article. The criteria developed shall include consideration of the following:

…

(2) The objectives of the various basinwide management plans for the State's river basins and watersheds.

…."

SECTION 14.8.(f) G.S. 113A-259 reads as rewritten:

"**§ 113A-259. Clean Water Management Trust Fund: Advisory Council.**

There is established the Clean Water Management Trust Fund Advisory Council. The Council shall advise the Trustees with regard to allocations made from the Fund, and other issues as requested by the Trustees. The Council shall be composed of the following or its designees:

(1) Commissioner of Agriculture.
(2) Chair of the Wildlife Resources Commission.
(3) Secretary of Environment and Natural Resources.
(4) Secretary of the Department of Commerce.
(5) Secretary of the Department of Cultural Resources."

WATER QUALITY REMEDIATION FUNDS

SECTION 14.8A. Of the funds appropriated in this act to the Clean Water Management Trust Fund, the sum of five hundred thousand dollars ($500,000) shall be used for the remediation and mitigation of stormwater impacts to lakes subject to a Nutrient Management Strategy approved by the Environmental Management Commission.

COMMERCIAL FISHING LICENSES

SECTION 14.9.(a) The General Assembly finds that additional funding is necessary to support the Division of Marine Fisheries' At-Sea Observer Program and for the continued viability of the commercial fishing industry in North Carolina.

SECTION 14.9.(b) G.S. 113-168.2 reads as rewritten:

"**§ 113-168.2. Standard Commercial Fishing License.**

…

(e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred fifty dollars ($250.00).~~ four hundred dollars ($400.00). The annual SCFL fee for a person who is not a resident of this State shall be the amount charged to a resident of this State in the nonresident's state. In no event, however, may the fee be less than ~~two hundred fifty dollars ($250.00).~~ four hundred dollars ($400.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or

(2) G.S. 113-130(4)e.

…."

SECTION 14.9.(c) G.S. 113-168.3(b) reads as rewritten:

"(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a RSCFL for a resident of this State shall be ~~one hundred twenty-five dollars ($125.00).~~ two hundred dollars ($200.00). The annual fee for a RSCFL for a person who is not a resident of this State shall be ~~one hundred sixty-two dollars and fifty cents ($162.50).~~ two hundred sixty dollars ($260.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or

(2) G.S. 113-130(4)e."

SECTION 14.9.(d) G.S. 113-169.2 reads as rewritten:

"**§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

…

(c) Fees. – Shellfish licenses issued under this section shall be issued annually upon payment of a fee of ~~thirty-one dollars and twenty-five cents ($31.25)~~ fifty dollars ($50.00) upon proof that the license applicant is a North Carolina resident.

…."

SECTION 14.9.(e) G.S. 113-169.3 reads as rewritten:

"**§ 113-169.3. Licenses for fish dealers.**

…

(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license shall pay a nonrefundable application fee of ~~sixty-two dollars and fifty cents ($62.50)~~ one hundred dollars ($100.00) in addition to the license category fees set forth in this section.

(f) License Category Fees. – Every fish dealer subject to licensing requirements shall secure an annual license at each established location for each of the following activities transacted there, upon payment of the fee set out:

(1) Dealing in oysters: ~~$62.50.~~$100.00.

(2) Dealing in scallops: ~~$62.50.~~$100.00.

(3) Dealing in clams: ~~$62.50.~~$100.00.

(4) Dealing in hard or soft crabs: ~~$62.50.~~$100.00.

(5) Dealing in shrimp, including bait: ~~$62.50.~~$100.00.

(6) Dealing in finfish, including bait: ~~$62.50.~~$100.00.

(7) Operating menhaden or other fish-dehydrating or oil-extracting processing plants: ~~$62.50.~~$100.00.

(8) Consolidated license (all categories): ~~$375.00.~~$600.00.

…."

SECTION 14.9.(f) G.S. 113-169.5(b) reads as rewritten:

"(b) The fee for a land or sell license for a vessel not having its primary situs in North Carolina is ~~two hundred fifty dollars ($250.00),~~ four hundred dollars ($400.00), or an amount

equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell their catch in the State without complying with this section if the persons are in possession of a valid license from their state of residence."

SECTION 14.9.(g) G.S. 113-173(f) reads as rewritten:

"(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be ~~forty-three dollars and seventy-five cents ($43.75).~~ seventy dollars ($70.00). The fee for a RCGL for an individual who is not a North Carolina resident shall be ~~three hundred twelve dollars and fifty cents ($312.50).~~five hundred dollars ($500.00)."

SECTION 14.9.(h) G.S. 113-210 reads as rewritten:

"**§ 113-210. Under Dock Oyster Culture.**

…

~~(l) Fees. Under Dock Oyster Culture Permit shall be issued annually upon payment of a fee of one hundred dollars ($100.00).~~

…."

SECTION 14.9.(i) Article 14A of Chapter 113 of the General Statutes is amended by adding a new section to read:

"**§ 113-173.1. North Carolina Commercial Fishing Resource Fund.**

(a) Establishment. – There is hereby established the North Carolina Commercial Fishing Resources Fund (Fund) as a nonreverting special revenue fund in the office of the State Treasurer. The purpose of the Fund is to provide funding for the development of sustainable commercial fishing in the State. The principal of the Fund shall consist of all of the following:

(1) Two hundred dollars ($200.00) from each Standard Commercial Fishing License issued pursuant to G.S. 113-168.2.

(2) One hundred dollars ($100.00) from each Retired Standard Commercial Fishing License issued pursuant to G.S. 113-168.3.

(3) Twenty-five dollars ($25.00) from each shellfish license issued pursuant to G.S. 113-169.2.

(4) Fifty dollars ($50.00) from each fish dealer license issued pursuant to G.S. 113-169.3.

(5) Two hundred dollars ($200.00) from each land or sell license issued pursuant to G.S. 113-169.5.

(6) Thirty-five dollars ($35.00) from each Recreational Commercial Gear License issued pursuant to G.S. 113-173.

The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Fund in accordance with the provisions of G.S. 147-69.2, except that interest and other income received on the fund balance shall be treated as set forth in G.S. 147-69.1(d).

(b) Use of Funds. – The North Carolina Commercial Fishing Resource Fund created by this section shall be used only for the following purposes, in order of priority:

(1) First, the Fund shall fully fund the State's incidental take permits for the commercial fishing industry under the federal Endangered Species Act of 1973 (Public Law 93-205) or the federal Marine Mammal Protection Act of 1972 (Public Law 92-522).

(2) After the priority set forth in subdivision (1) of this section has been fully funded, the Fund may be used for other projects to develop and support sustainable commercial fishing in the State.

(c) Procedure for Fund Disbursements. – With respect to funds used pursuant to subdivision (b)(1) of this section, the State Treasurer shall disburse the principal of the Fund only upon the written direction of the Director of the Division. With respect to funds used pursuant to subdivision (b)(2) of this section, the State Treasurer shall disburse the principal of the Fund only upon the written direction of both the Marine Fisheries Commission and the Funding Committee established by subsection (d) of this section following the procedures set forth in the memorandum of understanding developed under subsection (f) of this section. In the event of a disagreement between the Commission and the Committee, the Secretary of the Department of Environment and Natural Resources shall decide between the directions proposed by the Commission and by the Committee.

(d) Funding Committee. – The Funding Committee for the North Carolina Commercial Fishing Resource Fund (Committee) is established and shall consist of six members who shall serve staggered terms. Each of the following commercial fishing organizations shall appoint one member for an initial term as indicated and provide notice of that appointment in the manner set forth in G.S. 143-47.6:

(1) North Carolina Fisheries Association, Inc., for a term of three years.
(2) North Carolina Watermen United, Inc., for a term of two years.
(3) Ocracoke Working Watermen's Association, for a term of one year.
(4) Brunswick County Fishermen's Association, for a term of three years.
(5) Carteret County Fishermen's Association, for a term of two years.
(6) Albemarle Fishermen's Association, for a term of one year.

Upon the expiration of the terms of the initial Committee members, each member shall be appointed by the appointing organizations designated in subdivisions (1) through (6) of this subsection for a three-year term and shall serve until a successor is appointed and qualified. Members may be reappointed, but no member may serve more than two consecutive full terms. The Committee shall elect annually a chair and other officers as it deems necessary to carry out the purposes of this section, who shall serve a term of one year corresponding to the calendar year.

(e) Vacancies, Meetings, Quorum. – Vacancies in the Committee shall be filled in the same manner as the original appointment. The Committee may meet at any time upon the call of the chair. A quorum of the group shall consist of four members.

(f) Memorandum of Understanding. – The Marine Fisheries Commission and the Committee shall develop and implement a memorandum of understanding setting forth the procedures for agreeing to and authorizing the disbursements from the Fund created in this section for the purposes described by subdivision (b)(2) of this section.

(g) Ethics. – Members of the Committee are public servants as defined in sub-subdivision i. of subdivision (30) of G.S. 138A-3."

SECTION 14.9.(j) Subsections (b), (c), (d), (e), (f), and (g) of this section are effective when they become law and apply to fees collected for the 2015-2016 license year and all succeeding license years.

ADVANCED SALE OF LICENSES

SECTION 14.10. G.S. 113-168.1 reads as rewritten:

"**§ 113-168.1. General provisions governing licenses and endorsements.**

…

(j) Advance Sale of Licenses, License Revenue. – To ensure an orderly transition from one license year to the next, the Division may issue a license or endorsement prior to 1 July of the license year for which the license or endorsement is valid. Revenue that the Division receives for the issuance of a license or endorsement prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division only for the license year in which the license or endorsement is valid. Any license revenue carried forward from one fiscal year to the next under this subsection that remains unencumbered and unexpended at the end of the fiscal year in which the license or endorsement is valid shall revert to the General Fund."

DIVISION OF MARINE FISHERIES JOINT ENFORCEMENT AGREEMENTS

SECTION 14.11.(a) G.S. 113-224 reads as rewritten:

"**§ 113-224. Cooperative agreements by Department.**

(a) The Department is empowered to enter into cooperative agreements with public and private agencies and individuals respecting the matters governed in this Subchapter. Pursuant to such agreements the Department may expend funds, assign employees to additional duties within or without the State, assume additional responsibilities, and take other actions that may be required by virtue of such agreements, in the overall best interests of the conservation of marine and estuarine resources.

(b) The Fisheries Director or a designee of the Fisheries Director may enter into an agreement with the National Marine Fisheries Service of the United States Department of Commerce allowing Division of Marine Fisheries inspectors to accept delegation of law enforcement powers over matters within the jurisdiction of the National Marine Fisheries Service."

SECTION 14.11.(b) G.S. 128-1.1 is amended by adding a new subsection to read:

"(c2) Inspectors of the Division of Marine Fisheries of the Department of Environment and Natural Resources may also assume law enforcement powers granted to the National Marine Fisheries Service as set forth in G.S. 113-224(b)."

STUDY COMMERCIAL SHELLFISH LEASING

SECTION 14.12. The University of North Carolina Coastal Studies Institute shall study North Carolina's shellfish lease and franchise program, including (i) the regulatory, statutory, and other obstacles faced by the private mariculture industry in establishing or expanding shellfish cultivation operations; (ii) a summary of shellfish leasing and franchising programs in other states and a comparison of the private mariculture industry in North Carolina compared to other states; and (iii) recommendations for best practices to achieve greater opportunities for North Carolina's mariculture industry and greater program efficiencies and outcomes. The Institute shall report its findings and recommendations no later than March 1, 2015, to the Chairs of the Environmental Review Commission, the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division.

PERMIT ELECTRONIC TRANSMISSION OF RULES

SECTION 14.13. G.S. 113-221 reads as rewritten:

"**§ 113-221. Rules.**

…

(b) Upon purchasing a license, each licensee shall be ~~given~~ provided access to a copy of the rules concerning the activities authorized by the license. The copy may be in written or electronic form, including by file download over the Internet. A written copy of the rules shall be provided to a licensee upon request.

(c) The Fisheries Director shall notify licensees of a new rule or change to a rule by sending each licensee either a newsletter containing the text of the rule or change or an updated codification of the rules of the Marine Fisheries Commission that contains the new rule or change. The Director may elect to use electronic means rather than mail to notify licensees if electronic means would be more timely and cost-effective. A written copy of any notification produced in accordance with this section shall be provided to a licensee upon request.

…."

NATURAL HERITAGE PROGRAM ONLINE ACCESS FEES

SECTION 14.13A.(a) Article 9A of Chapter 113A of the General Statutes is amended by adding the following new section to read:

"**§ 113A-164.12. Access to information; fees.**

(a) The Secretary may establish fees to defray the costs associated with any of the following:

(1) Responding to inquiries requiring customized environmental review services or the costs associated with developing, improving, or maintaining technology that supports an online interface for external users to access Natural Heritage Program data. The Secretary may reduce or waive the fee established under this subsection if the Secretary determines that a waiver or reduction of the fee is in the public interest.

(2) Any activity authorized under G.S. 113A-253(8e), including an inventory of natural areas conducted under the Natural Heritage Program, conservation and protection planning, and informational programs for owners of natural areas, as defined in G.S. 113A-164.3.

(b) Fees collected under this section are receipts of the Department of Environment and Natural Resources and shall be deposited in the Clean Water Management Trust Fund for the purpose of supporting the operations of the Natural Heritage Program."

SECTION 14.13A.(b) G.S. 113A-253(c)(8e) reads as rewritten:

"(8e) To authorize expenditures from the Fund not to exceed the sum of seven hundred fifty thousand dollars ($750,000) and any fees collected under G.S. 113A-164.12 to pay for the inventory of natural areas conducted under the Natural Heritage Program established pursuant to the Nature Preserves

Act, Article 9A of Chapter 113A of the General Statutes, and to pay for conservation and protection planning and for informational programs for owners of natural areas, as defined in G.S. 113A-164.3."

CDBG INFRASTRUCTURE ELIGIBLE ACTIVITIES CLARIFICATION

SECTION 14.15. Section 15.14(g) of S.L. 2013-360, as amended by Section 5.16(c) of S.L. 2013-363, reads as rewritten:

"**SECTION 15.14.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to critical public water and wastewater ~~projects.~~ projects and associated connections to the new lines located on private property of eligible homeowners, consistent with federal law. Notwithstanding any State law or rule, eligible activities as defined in this subsection are limited only by applicable HUD regulations and federal law. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

WATER INFRASTRUCTURE GRANT PRIORITY

SECTION 14.16. The Department of Environment and Natural Resources, Division of Water Infrastructure, and the State Water Infrastructure Authority shall give priority to loan and grant applications received from any local government meeting all of the following criteria:

(1) The local government is located in a development tier one area.

(2) The application seeks funding for a project that is required to be completed due to an EPA administrative order.

(3) The application is deemed complete by the Division and meets the minimum requirements for the program from which it is seeking funding.

WATER INFRASTRUCTURE

SECTION 14.17. G.S. 159G-37 reads as rewritten:

"**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water Reserve.**

(a) Application. – An application for a loan or grant from the CWSRF, the Wastewater Reserve, the DWSRF, or the Drinking Water Reserve must be filed with the Division of Water Infrastructure of the Department. An application must be submitted on a form prescribed by the Division and must contain the information required by the Division. An applicant must submit to the Division any additional information requested by the Division to enable the Division to make a determination on the application. An application that does not contain information required on the application or requested by the Division is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this Article.

(b) Certification. – The Division of Water Infrastructure shall require all local governments applying for loans or grants for water or wastewater purposes to certify that no funds received from water or wastewater utility operations have been transferred to the local government's general fund for the purpose of supplementing the resources of the general fund. The prohibition in this section shall not be interpreted to include payments made to the local government to reimburse the general fund for expenses paid from that fund that are reasonably allocable to the regular and ongoing operations of the utility, including, but not limited to, rent and shared facility costs, engineering and design work, plan review, and shared personnel costs."

GRANTS TO MUNICIPALITIES IN DEVELOPMENT TIER ONE AND TWO AREAS FOR WATER AND SEWER INFRASTRUCTURE IMPROVEMENTS

SECTION 14.17A. The one million dollars ($1,000,000) appropriated in this act to the Department of Environment and Natural Resources for grants to municipalities in development tier one and development tier two areas, as defined in G.S. 143B-437.08, shall be allocated as follows:

(1) The sum of five hundred thousand dollars ($500,000) for grants to local governments in development tier one and development tier two areas for water and sewer infrastructure development projects. Notwithstanding

Chapter 159G of the General Statutes or any other provision of law, the grants shall be used for projects that serve a public purpose related to the provision of water and sewer service to local government or educational facilities.

(2) The sum of five hundred thousand dollars ($500,000) for loans and grants to any local government located in a development tier one area meeting each of the following criteria:

a. The application seeks funding for a project that is required to be completed due to an EPA administrative order.

b. The application is deemed complete by the Division and meets the minimum requirements for the program from which it is seeking funding.

AMEND SHALLOW DRAFT NAVIGATION CHANNEL AND LAKE DREDGING FUNDING

SECTION 14.18.(a) G.S. 105-449.126 reads as rewritten:

"**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources Fund and Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund.**

(a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this section may be used only for the boating and water safety activities described in G.S. 75A-3(c). The Secretary must credit revenue to the Wildlife Resources Fund on ~~an annual~~a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter.

(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund on ~~an annual~~a quarterly basis. The Secretary must make the distribution within ~~4~~5 days of the end of each quarter."

SECTION 14.18.(b) Notwithstanding G.S. 105-449.125, the funds credited to the Wildlife Resources Fund and the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund for the first quarter of calendar year 2014 shall be distributed no later than September 15, 2014. Notwithstanding G.S. 105-449.125, the funds credited to the Wildlife Resources Fund and the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund for the last quarter of calendar year 2014 shall be allocated to the Highway Trust Fund.

SECTION 14.18.(c) Notwithstanding G.S. 105-449.125, in addition to the funds credited under G.S. 105-449.126, the Secretary of Revenue shall also credit the sum of one million six hundred seventy-seven thousand one hundred thirty-four dollars ($1,677,134) to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund for the 2014-2015 fiscal year no later than November 15, 2014. The funds distributed shall be from the funds collected under Article 36C of Chapter 105 of the General Statutes from the effective date of this act until November 15, 2014.

SECTION 14.18.(d) Section 14.18(a) is effective for quarters beginning on or after January 1, 2014. The remainder of this section is effective when it becomes law.

AQUATIC WEED CONTROL

SECTION 14.19.(a) G.S. 143-215.73F reads as rewritten:

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund.**

The Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund is established as a special revenue fund. The Fund consists of fees credited to it under G.S. 75A-3, 75A-38, and 105-449.126. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep shallow draft navigation channels located in State waters or waters of the state located within lakes navigable and ~~safe.~~ safe, or for aquatic weed control projects in waters of the State located within lakes under

Article 15 of Chapter 113A of the General Statutes. Funding for aquatic weed control projects is limited to five hundred thousand dollars ($500,000) in each fiscal year. Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one ~~basis.~~basis, provided that the cost-share for a lake located within a component of the State Parks System shall be provided by the Division of Parks and Recreation of the Department of Environment and Natural Resources. The Division of Parks and Recreation may use funds allocated to the State Parks System for capital projects under G.S. 113-44.15 for the cost-share. For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

SECTION 14.19.(b) G.S. 75A-3(c) reads as rewritten:

"(c) The Boating Account is established within the Wildlife Resources Fund created under G.S. 143-250. Interest and other investment income earned by the Account accrues to the Account. All moneys collected pursuant to the numbering and titling provisions of this Chapter shall be credited to this Account. Motor fuel excise tax revenue is credited to the Account under G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the Executive Budget Act and the Personnel Act, for the administration and enforcement of this Chapter; for activities relating to boating and water safety including education and waterway marking and improvement; and for boating access area acquisition, development, and maintenance. The Commission shall use at least three dollars ($3.00) of each one-year certificate of number fee and at least nine dollars ($9.00) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 for boating access area acquisition, development, and maintenance. The Commission shall transfer on a quarterly basis fifty percent (50%) of each one-year certificate of number fee and fifty percent (50%) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 to the Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund established by G.S. 143-215.73F."

SECTION 14.19.(c) G.S. 75A-38(b) reads as rewritten:

"(b) The Commission shall charge a fee of thirty dollars ($30.00) to issue a new or transfer certificate of title. The Commission shall transfer on a quarterly basis at least ten dollars ($10.00) of each new or transfer certificate of title to the Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund established by G.S. 143-215.73F. The Commission shall charge a fee of ten dollars ($10.00) for each duplicate title it issues and for the recording of a supplemental lien."

MUSEUM OF FORESTRY CHALLENGE GRANT

SECTION 14.20A. It is the intent of the General Assembly that, if the North Carolina Museum of Forestry (hereinafter "Museum") fails to raise at least one hundred thousand dollars ($100,000) in non-State funds during the 2014-2015 fiscal year, no State funds after the 2014-2015 fiscal year will be appropriated for the support of the Museum.

REDIRECT INTEREST ON CERTAIN ENVIRONMENTAL FUNDS

SECTION 14.21.(a) G.S. 143B-289.59 reads as rewritten:

"**§ 143B-289.59. Conservation Fund; Commission may accept gifts.**

…

(b) The Marine Fisheries Commission is hereby authorized to issue and sell appropriate emblems by which to identify recipients thereof as contributors to a special marine and estuarine resources Conservation Fund that shall be made available to the Marine Fisheries Commission for conservation, protection, enhancement, preservation, and perpetuation of marine and estuarine species that may be endangered or threatened with extinction and for education about these issues. The special Conservation Fund is subject to oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General ~~Statutes.~~Statutes, except that

interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d). Emblems of different sizes, shapes, types, or designs may be used to recognize contributions in different amounts, but no emblem shall be issued for a contribution amounting in value to less than five dollars ($5.00)."

SECTION 14.21.(b) G.S. 113A-253 reads as rewritten:

"**§ 113A-253. Clean Water Management Trust Fund.**

…

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. ~~Investment earnings credited to the assets of the Fund shall become part of the Fund.~~ Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

…."

SECTION 14.21.(c) G.S. 143-215.104C reads as rewritten:

"**§ 143-215.104C. Dry-Cleaning Solvent Cleanup Fund.**

(a) Creation. – The Dry-Cleaning Solvent Cleanup Fund is established as a special revenue fund to be administered by the Commission. Accordingly, revenue in the Fund at the end of a fiscal year does not ~~revert and interest and other investment income earned by the Fund must be credited to it.~~revert. The Fund is created to provide revenue to implement this Part.

…."

SECTION 14.21.(d) G.S. 113-44.15 reads as rewritten:

"**§ 113-44.15. Parks and Recreation Trust Fund.**

(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of gifts and grants to the Trust Fund and other monies appropriated to the Trust Fund by the General Assembly. ~~Investment earnings credited to the assets of the Fund shall become part of the Fund.~~

…."

SECTION 14.21.(e) G.S. 87-98 reads as rewritten:

"**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under the control and direction of the Department. The Fund shall be a ~~nonreverting, interest-bearing~~nonreverting fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other ~~source and investment interest credited to the Fund.~~source.

…."

SECTION 14.21.(f) G.S. 90A-42 reads as rewritten:

"**§ 90A-42. Fees.**

…

(b) The Water Pollution Control System Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Account and applied to the costs of administering this Article. Interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d)."

SECTION 14.21.(g) G.S. 143-215.94B reads as rewritten:

"**§ 143-215.94B. Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.**

…

(e) The Commercial Fund shall be treated as a special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

…."

SECTION 14.21.(h) G.S. 143-215.94D reads as rewritten:

"**§ 143-215.94D. Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund.**

…

(e) The Noncommercial Fund shall be treated as a special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~

G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

…."

SECTION 14.21.(i) G.S. 130A-310.11 reads as rewritten:

"**§ 130A-310.11. Inactive Hazardous Sites Cleanup Fund created.**

(a) There is established under the control and direction of the Department the Inactive Hazardous Sites Cleanup Fund. This fund shall be a revolving fund consisting of any monies appropriated for such purpose by the General Assembly or available to it from grants, taxes, and other monies paid to it or recovered by or on behalf of the Department. The Inactive Hazardous Sites Cleanup Fund shall be treated as a nonreverting special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~ G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

…."

SECTION 14.21.(j) G.S. 130A-310.38 reads as rewritten:

"**§ 130A-310.38. Brownfields Property Reuse Act Implementation Account.**

The Brownfields Property Reuse Act Implementation Account is created as a nonreverting ~~interest-bearing~~ account in the Office of the State Treasurer. The Account shall consist of fees and interest collected under G.S. 130A-310.39, moneys appropriated to it by the General Assembly, moneys received from the federal government, moneys contributed by private organizations, and moneys received from any other source. Funds in the Account shall be used by the Department to defray the costs of implementing this Part. The Department may contract with a private entity for any services necessary to implement this Part."

I & M AIR POLLUTION CONTROL ACCOUNT

SECTION 14.22. The Division of Air Quality of the Department of Environment and Natural Resources shall use the cash balance remaining in the I & M Air Pollution Control Account for operations in the 2014-2015 fiscal year related to the development and implementation of air pollution control programs for mobile sources.

WATER AND AIR QUALITY ACCOUNT

SECTION 14.23. The Division of Air Quality of the Department of Environment and Natural Resources shall use the cash balance remaining in the Water and Air Quality Account to administer its programs in fiscal year 2014-2015.

SOLID WASTE DISPOSAL TAX USES

SECTION 14.24.(a) G.S. 130A-295.9 reads as rewritten:

"**§ 130A-295.9. Solid waste disposal tax; use of proceeds.**

It is the intent that the proceeds of the solid waste disposal tax imposed by Article 5G of Chapter 105 of the General Statutes credited to the Inactive Hazardous Sites Cleanup Fund pursuant to G.S. 105-187.63(1) shall be used ~~only for the following purposes:~~

~~(1)~~ ~~Funds credited pursuant to G.S. 105-187.63(1) to the Inactive Hazardous Sites Cleanup Fund shall be used~~ by the Department of Environment and Natural Resources to fund the assessment and remediation of pre-1983 landfills, except up to ~~thirteen percent (13%)~~ nineteen percent (19%) of the funds credited under this subdivision may be used to fund administrative expenses related to ~~the assessment and remediation of pre-1983 landfills and other inactive hazardous waste sites.~~ hazardous and solid waste management.

~~(2)~~ ~~Funds credited pursuant to G.S. 105-187.63(3) to the Solid Waste Management Trust Fund shall be used by the Department of Environment and Natural Resources to fund grants to State agencies and units of local government to initiate or enhance local recycling programs and to provide for the management of difficult to manage solid waste, including abandoned mobile homes and household hazardous waste. Up to seven percent (7%) of the funds credited under this subdivision may be used by the Department to administer this Part.~~"

SECTION 14.24.(b) This section applies to funds credited to the Inactive Hazardous Sites Cleanup Fund on or after July 1, 2014.

ELIMINATE WASTE MANAGEMENT FEE CAP

SECTION 14.24A. G.S. 130A-294.1(c) is repealed.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT FLEXIBILITY

SECTION 14.24B.(a) Notwithstanding S.L. 2013-360 and G.S. 143C-6-4, the Department of Environment and Natural Resources may take the two million dollar ($2,000,000) efficiencies reduction created by consolidating the Divisions of Water Resources and Water Quality from other divisions and programs, subject to the following restrictions:

(1) No State attraction proposed for closure in the Current Operations and Capital Improvements Appropriations Act of 2014, as passed by either the Senate or the House of Representatives but not enacted when that act becomes law, may be included in the reduction by the Department.

(2) No program or item expansion funds appropriated for the 2013-2015 fiscal biennium to the Department shall be used to offset the management flexibility reduction under this section.

SECTION 14.24B.(b) The Department shall report on the reductions made as required by this section no later than October 1, 2014, to the chairs of the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division.

WILDLIFE LICENSING CHANGES

SECTION 14.25.(a) G.S. 113-270.3(b)(1b) reads as rewritten:

"(b) The special activity licenses and stamp issued by the Wildlife Resources Commission are as follows:

…

(1b) Bear Management Stamp – $10.00. This electronically generated stamp must be procured before taking any bear within the State. Notwithstanding any other provision of law, a resident or nonresident individual may not take any bear within the State without procuring this stamp; provided, that those persons who have purchased a lifetime license established by G.S. 113-270.1D(b), 113-270.2(c)(2), or 113-351(c)(3) prior to July 1, 2014, and those persons exempt from the license requirements as set forth in ~~G.S. 113-276(c)~~ G.S. 113-276(c), G.S. 113-276(d), and G.S. 113-276(n) shall obtain this stamp free of charge. All of the revenue generated by this stamp shall be dedicated to black bear research and management."

SECTION 14.25.(b) G.S. 113-174.2 reads as rewritten:

"**§ 113-174.2. Coastal Recreational Fishing License.**

…

(c) Types of CRFLs; Fees; Duration. – The Wildlife Resources Commission shall issue the following CRFLs:

(1) Annual Resident CRFL. – $15.00. This license is valid ~~for a period of one year from the date of issuance.~~from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State.

(1a) Annual Nonresident CRFL. – $30.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is not a resident of the State.

(2) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(3) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(4) Ten-Day Resident CRFL. – $5.00. This license is valid for a period of 10 consecutive days, as indicated on the license. This license shall be issued only to an individual who is a resident of the State.

(4a) Ten-Day Nonresident CRFL. – $10.00. This license is valid for a period of 10 consecutive days, as indicated on the license. This license shall be issued only to an individual who is not a resident of the State.

(5) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(6) Lifetime CRFLs. – Except as provided in sub-subdivision j. of this subdivision, CRFLs issued under this subdivision are valid for the lifetime of the licensee.

a. –d. Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

e. Infant Lifetime CRFL. – $100.00. This license shall be issued only to an individual younger than one year of age.

f. Youth Lifetime CRFL. – $150.00. This license shall be issued only to an individual who is one year of age or older but younger than 12 years of age.

g. **(Effective until August 1, 2014)** Resident Adult Lifetime CRFL. – $250.00. This license shall be issued only to an individual who is 12 years of age or older but younger than 65 years of age and who is a resident of the State.

g. **(Effective August 1, 2014)** Resident Adult Lifetime CRFL. – $250.00. This license shall be issued only to an individual who is 12 years of age or older but younger than 70 years of age and who is a resident of the State.

h. Nonresident Adult Lifetime CRFL. – $500.00. This license shall be issued only to an individual who is 12 years of age or older and who is not a resident of the State.

i. **(Effective until August 1, 2014)** Resident Age 65 Lifetime CRFL. – $15.00. This license shall be issued only to an individual who is 65 years of age or older and who is a resident of the State.

i. **(Effective August 1, 2014)** Resident Age 70 Lifetime CRFL. – $15.00. This license shall be issued only to an individual who is 70 years of age or older and who is a resident of the State.

j. Resident Disabled Veteran CRFL. – $10.00. This license shall be issued only to an individual who is a resident of the State and who is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans ~~Affairs.~~ Affairs or as established by G.S. 113-351(c)(3)(f). This license remains valid for the lifetime of the licensee so long as the licensee remains fifty percent (50%) or more disabled.

k. Resident Totally Disabled CRFL. – $10.00. This license shall be issued only to an individual who is a resident of the State and who is totally and permanently disabled as determined by the Social Security ~~Administration.~~Administration or as established by G.S. 113-351(c)(3)(g).

…."

SECTION 14.25.(c) G.S. 113-173 reads as rewritten:

"**§ 113-173. Recreational Commercial Gear License.**

…

(f) Duration; Fees. – The RCGL shall be valid ~~for a one-year period from the date of purchase.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). The fee for a RCGL for a North Carolina resident shall be forty-three dollars and seventy-five cents ($43.75). The fee for a RCGL for an individual who is not a North Carolina resident shall be three hundred twelve dollars and fifty cents ($312.50).

…."

SECTION 14.25.(d) G.S. 113-351 reads as rewritten:

"**§ 113-351. Unified hunting and fishing licenses; subsistence license waiver.**

(a) Definitions. – The definitions set out in G.S. 113-174 apply to this Article.

(b) General Provisions Governing Licenses and Waivers. – The general provisions governing licenses set out in G.S. 113-174.1 apply to licenses and waivers issued under this section.

(c) Types of Unified Hunting and Fishing Licenses; Fees; Duration. – The Wildlife Resources Commission shall issue the following Unified Hunting and Fishing Licenses:

(1) Annual Resident Unified Sportsman/Coastal Recreational Fishing License. – $55.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State. This license authorizes the licensee to take all wild animals and wild birds, including waterfowl, by all lawful methods in all open seasons, including the use of game lands; to fish with hook and line for all fish in all inland fishing waters and joint fishing waters, including public mountain trout waters; and to engage in recreational fishing in coastal fishing waters.

(2) Annual Resident Unified Inland/Coastal Recreational Fishing License. – $35.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State. This license authorizes the licensee to fish with hook and line for all fish in all inland fishing waters and joint fishing waters, including public mountain trout waters, and to engage in recreational fishing in coastal fishing waters.

…."

SECTION 14.25.(e) G.S. 113-270.1D reads as rewritten:

"**§ 113-270.1D. Sportsman licenses.**

(a) Annual Sportsman License – $50.00. This license shall be issued only to an individual resident of the State and entitles the licensee to take all wild animals and wild birds, including waterfowl, by all lawful methods in all open seasons, including the use of game lands, and to fish with hook and line for all fish in all inland and joint fishing waters, including public mountain trout waters. An annual sportsman license issued under this subsection does not entitle the licensee to engage in recreational fishing in coastal fishing waters that are not joint fishing waters.

(b) Lifetime Sportsman Licenses. Except as provided in subdivision (7) of this subsection, lifetime sportsman licenses are valid for the lifetime of the licensees. Lifetime sportsman licenses entitle the licensees to take all wild animals and wild birds by all lawful methods in all open seasons, including the use of game lands, and to fish with hook and line for all fish in all inland and joint fishing waters, including public mountain trout waters. A lifetime sportsman license issued under this subsection does not entitle the licensee to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. Lifetime sportsman licenses issued by the Wildlife Resources Commission are:

…

(3) Adult Resident Lifetime Sportsman License – $500.00. This license shall be issued only to an individual resident of the ~~State.~~State who is 12 years of age or older but younger than 70 years of age.

(4) Nonresident Lifetime Sportsman License – ~~$1,200~~ $1,200. This license shall be issued only to an individual nonresident of the State.

(5) Age 70 Resident Lifetime Sportsman License – $15.00.This license shall be issued only to an individual resident of the State who is at least 70 years of age.

(6) Repealed by Session Laws 2005-455, s. 1.7 effective January 1, 2007.

(7) Resident Disabled Veteran Lifetime Sportsman License – $100.00. This license shall be issued only to an individual who is a resident of the State and who is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans Affairs or as established by rules of the Wildlife Resources Commission. This license remains valid for the lifetime of the licensee so long as the licensee remains fifty percent (50%) or more disabled.

(8) Resident Totally Disabled Lifetime Sportsman License – $100.00. This license shall be issued only to an individual who is a resident of the State and who is totally and permanently disabled as determined by the Social

Security Administration or as established by rules of the Wildlife Resources Commission."

SECTION 14.25.(f) Subsections (a) and (e) of this section become effective August 1, 2014.

OVERSIGHT OF CERVIDS

SECTION 14.26.(a) The Wildlife Resources Commission shall not issue a transportation permit for the importation of cervids into the State prior to July 1, 2017.

SECTION 14.26.(b) For purposes of this section, "USDA Standards" means the United States Department of Agriculture's Chronic Wasting Disease Program Standards, May 2014 edition, and subsequent updates, but does not include any authority given to a State to adopt standards more stringent than those expressly set out in the May 2014 edition or subsequent updates.

SECTION 14.26.(c) Nothing in this section is intended to limit the issuance by the Commission of new captivity licenses or permits for cervid facilities containing only cervids originating within the State from facilities with an existing captivity license or permit that have achieved certified status.

SECTION 14.26.(d) Except as further limited by subsection (a) of this section, or as modified by subsection (c) of this section, and notwithstanding any other provision of law or regulations adopted by the Commission to the contrary, the Commission shall follow the USDA Standards in carrying out its authority to regulate cervids.

SECTION 14.26.(e) G.S. 113-272.6(a) reads as rewritten:

"(a) The Wildlife Resources Commission shall regulate the transportation, including importation and exportation, and possession of cervids, including game carcasses and parts of game carcasses extracted by hunters. The Commission shall allow the sale of antlers, antler velvet, or hides from captive populations of cervids. The Commission shall adopt rules to implement this section, including requirements for captivity licenses, captivity permits, and transportation permits. The rules adopted pursuant to this section shall establish standards of care for the transportation and possession of cervids, including requirements for fencing, tagging, record keeping, and inspection of captive cervid facilities. Notwithstanding any other provision of law, the Commission may charge a fee of up to fifty dollars ($50.00) for the processing of applications for captivity licenses, captivity permits, and transportation permits, and the renewal or modification of those licenses and permits. The fees collected shall be applied to the costs of administering this section."

SECTION 14.26.(f) No later than March 1, 2015, the Wildlife Resources Commission shall report to the Agriculture and Forestry Awareness Study Commission regarding differences between the USDA Standards and rules adopted by the Wildlife Resources Commission under the authority granted by G.S. 113-272.6. The report shall include a list and brief summary of rules adopted by the Commission in effect immediately prior to the enactment of this act that are more stringent than the USDA Standards.

INTERSTATE CHEMICALS CLEARINGHOUSE

SECTION 14.27. The Department of Environment and Natural Resources is authorized to join the Interstate Chemicals Clearinghouse for the purpose of access to key data necessary to enhance safety in the use of toxic substances.

WATER AND SEWER FUNDS/FOREST CITY

SECTION 14.28. Of the funds appropriated in this act to the Department of Environment and Natural Resources for grants to local governments for critical needs water infrastructure development grants, the sum of seventeen thousand five hundred dollars ($17,500) shall be allocated to the town of Forest City for a water line extension.

PART XV. DEPARTMENT OF COMMERCE

ABC COMMISSION/USE OF FUNDS CREDITED TO ABC COMMISSION FUND

SECTION 15.1. G.S. 18B-208 reads as rewritten:

"**§ 18B-208. ABC Commission bonds and funds.**

…

(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC Commission Fund, is created. On and after November 1, 1982, all moneys derived from the collection of bailment charges and bailment surcharges shall be deposited in the ABC Commission Fund for the purpose of carrying out the provisions of this Chapter. The ABC Commission Fund shall be subject to the provisions of the State Budget Act except that no unexpended surplus of this fund shall revert to the General Fund. The Commission shall fix the level of the bailment surcharges at an amount calculated to cover operating expenses of the Commission and the retirement of bonds issued for construction of a Commission warehouse and offices. Upon payment of the bonds issued pursuant to this section, the Commission shall reduce the bailment surcharge to an amount no greater than necessary to pay operating expenses of the Commission as authorized by the General Assembly.

All moneys credited to the ABC Commission Fund shall be used to carry out the intent and purposes of the ABC law in accordance with plans approved by the North Carolina ABC Commission and the Director of the ~~Budget, and all these funds are appropriated, reserved, set aside, and made available until expended for the administration of the ABC law.~~Budget. The moneys in the Fund shall be expended only upon an appropriation by an act of the General Assembly."

TRANSFER ABC COMMISSION TO DEPARTMENT OF PUBLIC SAFETY

SECTION 15.2A.(a) The North Carolina Alcoholic Beverage Control Commission is hereby transferred to the Department of Public Safety. This transfer shall have all of the elements of a Type II transfer, as described in G.S. 143A-6, except that the management functions of the ABC Commission shall not be performed under the direction and supervision of the Secretary of the Department of Public Safety.

SECTION 15.2A.(b) G.S. 143B-431(a)(2)a. is repealed.

SECTION 15.2A.(c) G.S. 143B-433(1)a. is repealed.

SECTION 15.2A.(d) G.S. 18B-200(a) reads as rewritten:

"**§ 18B-200. North Carolina Alcoholic Beverage Control Commission.**

(a) Creation of Commission; compensation. – The North Carolina Alcoholic Beverage Control Commission is created to consist of a chairman and two associate members. The Commission shall be administratively located within the Department of Public Safety but shall exercise its powers independently of the Secretary of Public Safety. The chairman shall devote his full time to his official duties and receive a salary fixed by the General Assembly in the Current Operations Appropriations Act. The associate members shall be compensated for per diem, subsistence and travel as provided in Chapter 138 of the General Statutes."

SECTION 15.2A.(e) G.S. 143B-600 reads as rewritten:

"**§ 143B-600. Organization.**

(a) There is established the Department of Public Safety. The head of the Department of Public Safety is the Secretary of Public Safety, who shall be known as the Secretary.

(b) The powers and duties of the deputy secretaries, commissioners, directors, and the divisions of the Department shall be subject to the direction and control of the Secretary of Public ~~Safety.~~Safety, except that the powers and duties of the North Carolina Alcoholic Beverage Control Commission shall be exercised independently of the Secretary, in accordance with G.S. 18B-200."

SECTION 15.2A.(f) This section becomes effective October 1, 2014.

ABC COMMISSION/30-DAY SUSPENSION OF PERMIT FOR CERTAIN CRIMINAL CHARGES

SECTION 15.2A1.(a) G.S. 18B-904(e) is amended by adding a new subdivision to read as follows:

"(4) Notwithstanding G.S. 18B-906, the Commission shall immediately suspend permits issued by it for a period of 30 days if both of the following apply:

a. Alcohol Law Enforcement agents or local ABC Board officers provide advance notice to the Commission Legal Division staff of the ongoing undercover operation.

b. Upon execution of the search warrant resulting from the undercover operation, five or more persons are criminally charged with violations of the gambling, disorderly conduct, prostitution, controlled substance, or felony criminal counterfeit trademark laws."

SECTION 15.2A1.(b) This section becomes effective October 1, 2014, and applies to criminal charges filed on or after that date.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 15.2B. Section 15.1(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 15.1.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is ~~thirteen one-hundredths of one percent (0.13%)~~ thirteen and one-half hundredths of one percent (0.135%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins ~~on or after July 1, 2013, and~~ on or after July 1, 2014."

COMMERCE FUNDS USED FOR BASE REALIGNMENT AND CLOSURE ACTIVITIES

SECTION 15.4.(a) Funds appropriated to the Department of Commerce for the 2013-2014 fiscal year that are unexpended and unencumbered as of June 30, 2014, shall not revert to the General Fund but shall remain available to the Department until expended for use in the State's preparation for United States Department of Defense Base Realignment and Closure activities.

SECTION 15.4.(b) This section becomes effective June 30, 2014.

SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION GENERAL FUND APPROPRIATION

SECTION 15.5.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balances in the following funds as of June 30, 2014, to Commerce Administration (Budget Code 14600-1111):

(1) 24609-2537 – Energy Research Grants
(2) 24609-2535 – NC Green Business Fund
(3) 24609-2562 – One North Carolina Small Business Fund
(4) 24613-2622 – Main Street Solutions

SECTION 15.5.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balance in the Economic Development Reserve (Budget Code 24609-2584) as of June 30, 2014, to Commerce Administration (Budget Code 14600-1111) and, upon the transfer, close the Reserve.

SECTION 15.5.(c) The transfers in subsections (a) and (b) of this section are to offset General Fund appropriations to the Department of Commerce for administration.

COMMON FOLLOW-UP/COSTS SHARED BY STATE AGENCIES & LEAD DEVELOP PLAN TO TRANSFER COMMON FOLLOW-UP DATA AND CAPABILITIES TO GDAC

SECTION 15.6.(a) The Commission on Workforce Development (hereinafter "Commission") shall prescribe a method for calculating the amount each of the agencies listed in this subsection shall contribute to fund the Common Follow-Up System at a cost of five hundred thousand dollars ($500,000) on a nonrecurring basis. In developing the method, the Commission shall consider each agency's proportion of data contribution and System usage. The agencies that shall contribute to fund the Common Follow-Up System are as follows:

(1) Department of Public Safety, Division of Adult Correction.
(2) Department of Public Instruction.
(3) Department of Commerce, Division of Workforce Solutions.
(4) Department of Health and Human Services, Division of Services for the Blind; Division of Social Services; and Division of Vocational Rehabilitation Services.
(5) North Carolina Community College System.
(6) The University of North Carolina.

SECTION 15.6.(b) The agencies listed in subsection (a) of this section shall transfer their share of the funds needed to fund the Common Follow-Up System, which shall be determined using the method prescribed by the Commission, to the Department of Commerce, Labor & Economic Analysis Division, no later than December 31, 2014.

SECTION 15.6.(c) The Department of Commerce, Labor & Economic Analysis Division (LEAD), shall develop a plan to transfer the information in and required capabilities of the Common Follow-Up System to the Government Data Analytics Center (GDAC). By February 1, 2015, the Department shall submit the plan to the Office of the State Chief Information Officer, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

MERGE ACCESS NC & DEMAND DRIVEN DATA DELIVERY SYSTEMS/NC BROADBAND REPORTING REQUIREMENT

SECTION 15.7.(a) Of the funds appropriated in this act to the Department of Commerce, the Department shall use the sum of two hundred fifty thousand dollars ($250,000) in the 2014-2015 fiscal year in nonrecurring funds to merge Access NC and Demand Driven Data Delivery to eliminate the duplication of effort in maintaining multiple economic and labor market data systems. By February 1, 2015, and more frequently as requested, the Department shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the progress of the merger, including whether there are improved efficiencies and cost savings.

SECTION 15.7.(b) By February 1, 2015, and more frequently as requested, the Office of the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on NC Connect activities, including providing an update on how NC Broadband in the Department of Commerce has been incorporated into NC Connect.

ECONOMIC DEVELOPMENT COMPETITIVE GRANT PROGRAM FOR UNDERSERVED AND LIMITED RESOURCE COMMUNITIES

SECTION 15.8. Section 15.10B of S.L. 2013-360 reads as rewritten:

"**SECTION 15.10B.(a)** Of the funds appropriated in this act to the Department of Commerce (Department), the sum of ~~two million five hundred forty-three thousand twenty-one dollars ($2,543,021)~~one million two hundred fifty thousand dollars ($1,250,000) in recurring funds for the 2014-2015 fiscal year and the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2014-2015 fiscal year shall be allocated for the Economic Development Competitive Grant Program for Underserved and Limited Resource Communities. The Department shall establish and implement this Program to provide grants to local governments and/or nonprofit organizations to encourage the development of economic development activities, services, and projects that benefit underserved populations and limited resource communities across the State.

"**SECTION 15.10B.(b)** The Department shall develop guidelines and procedures for the administration and distribution of funds allocated to the Economic Development Competitive Grant Program for Underserved and Limited Resource Communities that include, at a minimum, the following:

(1) Eligible organizations shall be nonprofit organizations and local governments that target underserved populations and/or limited resource communities.

(2) Eligible organizations shall make their application in accordance with procedures established by the Department.

(3) Eligible organizations shall not use funds allocated in this section for renting or purchasing land or buildings or for financing debt.

(4) Priority shall be given to eligible organizations that demonstrate established community partnerships and business involvement.

(5) Priority shall be given to eligible organizations that match funds and/or have at least one other significant source of funding.

(6) Priority shall be given to eligible organizations that prioritize independent fundraising to achieve financial sustainability apart from State-funded appropriations."

COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE MATCHING FUNDS

SECTION 15.9.(a) Of the funds appropriated in this act to the Department of Commerce, the sum of six hundred thirty-seven thousand five hundred dollars ($637,500) in recurring funds for the 2014-2015 fiscal year shall be used to meet the State matching funds

requirement for Community Development Block Grant (CDBG) funds. All or a portion of these funds shall be used to purchase and install a new grants management software program in the 2014-2015 fiscal year.

SECTION 15.9.(b) Effective July 1, 2014, the Secretary of Commerce shall reduce expenditures in the amount of three hundred eighteen thousand seven hundred fifty dollars ($318,750) in recurring funds for the 2014-2015 fiscal year for the Rural Economic Development Division. However, the Secretary shall not make reductions as provided in this subsection to any grant programs administered by the Rural Economic Development Division.

SECTION 15.9.(c) The Department shall provide the remaining required State match funds in-kind by taking the necessary steps to ensure that positions with salaries equaling the sum of six hundred thirty-seven thousand five hundred dollars ($637,500) in recurring funds for the 2014-2015 fiscal year are dedicated full-time to performing duties related to CDBG activities. To satisfy the in-kind requirement provided for in this subsection, the Department may include positions in the Department of Environment and Natural Resources, CDBG-Infrastructure, that are funded by the General Fund.

SECTION 15.9.(d) By February 1, 2015, the Department shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division regarding (i) the reduction in expenditures required by subsection (b) of this section and (ii) the manner in which the State match will be achieved and how it will be reported to the United States Department of Housing and Urban Development, CDBG Administration.

USE OF DEOBLIGATED COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

SECTION 15.9A. The Department of Commerce may use the sum of five million nine hundred eight thousand four hundred ninety-seven dollars ($5,908,497) in deobligated Community Development Block Grant (CDBG) funds as follows:

(1) Four million six hundred fifty-eight thousand four hundred ninety-seven dollars ($4,658,497) for providing public services. The category of public services includes providing substance abuse services and employment services, including job training, to homeless and at-risk veterans in rural areas of the State.

(2) Five hundred thousand dollars ($500,000) for existing CDBG programs that encounter cost overruns.

(3) Seven hundred fifty thousand dollars ($750,000) for providing training and guidance to local governments relative to the CDBG program, its management, and administration requirements.

RURAL ECONOMIC DEVELOPMENT DIVISION/LOANS & GRANTS TO LOCAL GOVERNMENTS TO REUSE OR DEMOLISH BUILDINGS AND PROPERTIES

SECTION 15.10. G.S. 143B-472.127 reads as rewritten:

"**§ 143B-472.127. Programs administered.**

(a) The Rural Economic Development Division shall be responsible for administering the program whereby economic development grants or loans are awarded by the Rural Infrastructure Authority as provided in G.S. 143B-472.128 to local government units. The Rural Infrastructure Authority shall, in awarding economic development grants or loans under the provisions of this subsection, give priority to local government units of the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section. The funds available for grants or loans under this program may be used as follows:

…

(2) To provide matching grants or loans to local government units in an economically distressed county that will productively reuse ~~vacant~~ or demolish buildings and properties or construct or expand rural health care ~~facilities~~ facilities, with priority given to towns or communities with populations of less than 5,000. For purposes of this section, the term "economically distressed county" has the same meaning as in G.S. 143B-437.01.

…."

RURAL ECONOMIC DEVELOPMENT DIVISION/NONRECURRING FUNDS USED FOR GRANTS ONLY

SECTION 15.10A. The Department of Commerce, Rural Economic Development Division, shall use nonrecurring funds appropriated in this act for the 2014-2015 fiscal year only for the purpose of making grants as provided in Part 22 of Article 10 of Chapter 143B of the General Statutes. The Department of Commerce, Rural Economic Development Division, shall not use nonrecurring funds appropriated in this act for the 2014-2015 fiscal year for administrative or any other expenses, but shall use those funds only for the purpose provided for in this section.

COMMERCE STUDY ADJUSTMENTS TO DEVELOPMENT FACTORS USED IN MAKING DEVELOPMENT TIER DESIGNATIONS

SECTION 15.10B.(a) The Department of Commerce (Department) shall study factors that may be used to make an adjustment to a county's development tier designation regardless of the county's actual development factor assigned under G.S. 143B-437.08(b). The adjustment factors considered shall include, at a minimum, events or occurrences that negatively impact a county's rate of unemployment, median household income, percentage growth in population, and assessed value per capita. The Department shall also consider aligning the State's development tier designations with the U.S. Housing and Urban Development entitlement designations.

SECTION 15.10B.(b) By February 1, 2015, the Department of Commerce shall report the findings of its study to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division.

LIDAR RESERVE/TOPOGRAPHICAL MAPPING OF THE STATE

SECTION 15.12.(a) Part 1 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read as follows:

"**§ 143B-603. LiDAR Reserve.**

The "LiDAR Reserve" is established in the Department of Public Safety. Funds in the LiDAR Reserve shall only be used for LiDAR topographical mapping of the State."

SECTION 15.12.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the cash balances, as of June 30, 2014, in the following funds to the LiDAR Reserve in the Department of Public Safety:

(1) 24602-2959 – Disaster Relief Fund, Small Business Loans (Hurricane Floyd) – ($122,243).

(2) 24602-2966 – Disaster Relief Fund, Small Business Loans (2005 Disaster Recovery) – ($3,097,757).

AGRICULTURE GAS EXPANSION FUND

SECTION 15.13.(a) G.S. 143B-437.020 reads as rewritten:

"**§ 143B-437.020. ~~Utilization of economic development incentive programs to support new and expanded natural gas service and to support propane gas service for agricultural projects.~~Natural gas and propane gas for agricultural projects.**

(a) Definitions. –

(1) Agriculture. – Activities defined in G.S. 106-581.1, whether performed on or off the farm.

~~(2) Economic development incentive programs. – All economic development incentives set forth in G.S. 143B-437.07(c).~~

(3) Eligible project. – A discrete and specific economic development project that would expand agricultural production or processing capabilities that requires new or expanded natural gas or propane gas service.

(4) Excess infrastructure costs. – Any project carrying costs incurred by a natural gas local distribution company to provide new or expanded natural gas service to an eligible project that exceed the income the infrastructure generates for the local natural gas distribution company, including any standard rates, special contract rates, minimum margin agreements, and contributions in aid of construction collected by the natural gas local distribution company.

(5) Project carrying costs. – All costs, including depreciation, taxes, operation and maintenance expenses, and, for a natural gas local distribution company, a return on investment equal to the rate of return approved by the Utilities Commission in the natural gas local distribution company's most recent general rate case under G.S. 62-133.

(6) Secretary. – The Secretary of Commerce.

(a1) Establishment. – The Expanded Gas Products Service to Agriculture Fund is established as a special revenue fund in the Department of Commerce.

(b) Facilitation of New and Expanded Natural Gas Service to Agricultural Projects. – ~~Economic development incentive programs may utilize funds for agricultural projects~~ The Secretary may disburse moneys in the Expanded Gas Products Service to Agriculture Fund for the following purposes:

(1) To allow the owner of an eligible project to pay for excess infrastructure costs associated with the eligible project.

(2) To allow the owner of an eligible project to pay for cost-effective alternatives that would reduce excess infrastructure costs, including:

a. Relocating equipment that uses natural gas to a different location on the property nearer existing natural gas lines to reduce or eliminate the project carrying costs.

b. Adding supplemental uses of natural gas to increase annual volume throughput and enhance the feasibility of new natural gas service, including fuel for tractors and equipment, greenhouses, plant or animal production, feed grain drying, and natural gas powered irrigation pumps.

(c) Facilitation of New and Expanded Propane Gas Service to Agricultural Production. – ~~Economic development incentive programs may utilize funds for agricultural projects~~ The Secretary may disburse moneys in the Expanded Gas Products Service to Agriculture Fund to allow the owner of an eligible project to pay for cost-effective alternatives that would do any of the following:

(1) ~~reduce infrastructure costs or~~ Reduce infrastructure costs.

(2) ~~that would increase~~Increase energy efficiency or reduce energy consumption.

(3) ~~by adding supplemental uses of propane gas to increase annual volume throughput, reduce energy consumption, reduce energy costs,~~Reduce energy costs.

(4) ~~or to enhance~~Enhance the feasibility of the project or the provision of propane gas ~~service,~~service by adding supplemental uses of propane gas to increase annual volume throughput, including (i) ~~the conversion or repowering of~~to convert or repower tractors, trucks, vehicles, and mowers to use propane gas, ~~or~~ (ii) to provide propane gas powered tractors, equipment, appliances, irrigation pumps, and dryers to service agricultural production facilities or operations, or (iii) to provide a dispensing station for the project owner's use.

(d) Use of ~~Incentive~~ Funds. – ~~Incentive funds utilized in accordance with subsections~~ Disbursements made pursuant to subsection (b) ~~and~~ or (c) of this section shall be paid directly to the owner of the eligible project.

(e) Termination. – ~~Incentive funds utilized in accordance with~~Disbursements made pursuant to subsection (b) of this section shall terminate when there are no longer excess infrastructure costs.

(f) ~~Reimbursement. – The owner of an eligible project who receives incentive funds in accordance with subsections (b) or (c) of this section shall be responsible for reimbursing the incentive funds if, for any reason, the eligible project does not maintain business operations for a period of at least five years from the date of the initial utilization of incentive funds.~~Forfeiture. – An owner of an eligible project who receives a disbursement pursuant to subsection (b) or (c) of this section forfeits the amount disbursed if the owner fails to maintain business operations for a period of at least five years from the date of initial utilization of the disbursement. An owner that forfeits amounts disbursed under this section is liable for the amount disbursed plus interest at the rate established under G.S. 105-241.21, computed from the date of the disbursement.

(g) ~~Limits on Eligible Project Incentive~~ Allocation of Funds. – ~~Total incentive funds for all eligible projects under subsections (b) and (c) of this section shall not cumulatively exceed five million dollars ($5,000,000) per biennium. The managers of economic development incentive programs shall promptly report payments made in accordance with subsections (b) and (c) of this section to the Department of Commerce, and the Department of Commerce shall promptly notify the managers of economic development incentive programs when the limitation provided by this subsection has been reached for the biennium.~~The Secretary shall transfer from the Utility Account to the Expanded Gas Products Service to Agriculture Fund at least five million dollars ($5,000,000) per biennium, as defined in G.S. 143C-1-1. If funds appropriated for the Job Development Investment Grant Program, the One North Carolina Fund, or a combination of these programs remain unexpended and unencumbered at the end of the fiscal year, those unexpended and unencumbered funds shall be used to reimburse the Utility Account for transfers made during the fiscal year pursuant to this section, notwithstanding job creation or other statutory requirements otherwise applicable to the programs or funds.

(h) Mechanism not Exclusive. – The utilization of ~~incentive~~ funds in accordance with subsections (b) or (c) of this section is intended to supplement other available mechanisms for the extension of service to new or expanding customers and may be used in conjunction with special contract arrangements, minimum margin agreements, and contributions in aid of construction.

(i) Reporting Requirement. – The Secretary shall publish a report each quarter on the program, including a list of the eligible projects that have applied for funding, a list of the eligible projects that have received funding, the amount of funds allocated to the program, and the amount of funds allocated to eligible projects. The Secretary must make the report available to the public and must submit the report to the Joint Legislative Commission on Energy Policy.

(j) The Department of Commerce shall develop guidelines related to the administration of the Expanded Gas Products Service to Agriculture Fund and to the selection of projects to receive allocations from the Fund. At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Department of Commerce must publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications. For the purpose of this section, a technical amendment is either of the following:

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

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

SECTION 15.13.(b) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

(18) The Department of Commerce and the Economic Investment Committee in developing criteria and administering the Job Maintenance and Capital Development Fund under G.S. 143B-437.012.

(18a) The Department of Commerce in developing criteria and administering the Expanded Gas Products Service to Agriculture Fund under G.S. 143B-437.020.

…."

SECTION 15.13.(c) This section becomes effective July 1, 2014. The Department of Commerce shall begin developing the guidelines for the administration of the program when this act becomes law.

FUND ONE NC SMALL BUSINESS FUND

SECTION 15.14. Of the funds remaining in the One North Carolina Fund established in G.S. 143B-437.71 at the end of fiscal year 2013-2014, an amount equal to two million five hundred thousand dollars ($2,500,000) shall be transferred to the One North

Carolina Small Business Fund and used for the North Carolina SBIR/STTR Incentive Program and the North Carolina SBIR/STTR Matching Funds Program.

MAIN STREET SOLUTIONS FUNDING

SECTION 15.14A. Of the funds unexpended and unencumbered in the Industrial Development Fund Utility Account, the sum of one million dollars ($1,000,000) shall be transferred to the Main Street Solutions Fund to supplement the program for the 2014-2015 fiscal year.

FILM AND ENTERTAINMENT GRANT FUND

SECTION 15.14B.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.02A. The Film and Entertainment Grant Fund.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, and commercials and to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:
   a. For a feature-length film, five million dollars ($5,000,000).
   b. For a video or television series, two hundred fifty thousand dollars ($250,000) per episode.
   c. For a commercial for theatrical or television viewing, two hundred fifty thousand dollars ($250,000).

(2) The funds are not used to provide a grant in excess of any of the following:
   a. An amount more than twenty-five percent (25%) of the qualifying expenses for the production.
   b. An amount more than five million dollars ($5,000,000) for a feature-length film, more than five million dollars ($5,000,000) for a television or video series, or two hundred fifty thousand dollars ($250,000) for a commercial for theatrical or television viewing.

(3) The funds are not used to provide a grant to more than one production company for a single production.

(4) The funds are not used to provide a grant for a production that meets one or more of the following:
   a. It contains material that is "obscene," as defined in G.S. 14-190.1, or that is "harmful to minors," as defined in G.S. 14-190.13.
   b. It has the primary purpose of political advertising, fundraising, or marketing, other than by commercial, a product, or service.
   c. News programming, including weather, financial market, and current events reporting.
   d. Live sporting event programming, including pre-event and post-event coverage and scripted sports entertainment. For purposes of this exception, a live sporting event is a scheduled sporting competition, game, or race that is originated solely by an amateur, collegiate, or professional organization, institution, or association for live or tape-delayed television or satellite broadcast. The term does not include commercial advertising, an episodic television series, a television pilot, a music video, a motion picture, or a documentary production in which sporting events are presented through archived historical footage or similar footage taken at least 30 days before it is used.
   e. Radio productions.
   f. It is a talk, game, or awards show or other gala event. For purposes of this exception, an awards show is television programming

involving the filming of a ceremony in which individuals, groups, or organizations are given an award.

g. It fails to contain, in the end credits of the production, a statement that the production was "Filmed in North Carolina," a logo provided by the North Carolina Film Office, and an acknowledgement of the regional film office responsible for the geographic area in which the filming of the production occurred. Additionally, the production company will offer marketing opportunities to be evaluated by the North Carolina Film Office to ensure that they offer promotional value to the State.

(5) Priority for the use of funds shall be given to productions that are reasonably anticipated to maximize the benefit to the State, in consideration of at least the following factors:

a. Percentage of employees that are permanent residents in the State.

b. The extent to which the production features identifiable attractions or State locales in a manner that would be reasonably expected to induce visitation by nonresidents of the State to the attraction or locale.

c. The extent to which the production invests in permanent improvements to open public spaces, commercial districts, traditional downtown areas, public landmarks, residential areas, or similar properties or areas.

d. The extent to which the production will be filmed in an economically distressed county or area of the State.

e. The duration of production activities in the State.

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

(1) Department. – The Department of Commerce.

(2) Employee. – A person who is employed for consideration for at least 35 hours a week and whose wages are subject to withholding under Article 4A of Chapter 105 of the General Statutes.

(3) Highly compensated individual. – An individual who directly or indirectly receives compensation in excess of one million dollars ($1,000,000) for personal services with respect to a single production. An individual receives compensation indirectly when a production company pays a personal service company or an employee leasing company that pays the individual.

(4) Loan-out company. – A personal service corporation that employs an individual who is hired by a film or digital media production company.

(5) Production. – Any of the following:

a. A motion picture intended for commercial distribution to a motion picture theater or directly to the consumer viewing market that has a running time of at least 75 minutes.

b. A video or television series or a commercial for theatrical or television viewing. For video and television series, a production is all of the episodes of the series produced for a single season.

(6) Production company. – Defined in G.S. 105-164.3.

(7) Qualifying expenses. – The sum of the amounts listed in this subdivision, substantiated pursuant to subsection (d) of this section, and spent in this State by a production company in connection with a production, less the amount paid in excess of one million dollars ($1,000,000) to a highly compensated individual.

a. Goods and services leased or purchased. For goods with a purchase price of twenty-five thousand dollars ($25,000) or more, the amount included in qualifying expenses is the purchase price less the fair market value of the good at the time the production is completed. Goods and services includes the costs of tangible and intangible property used for, and services performed primarily and customarily in, production, including preproduction and postproduction and other direct costs of producing the project in accordance with generally accepted entertainment industry practices. Goods and services

exclude costs for development, marketing, and distribution; costs of financing for the production, of bonding related to the production, of production-related insurance coverage obtained on the production; and expenses for insurance coverage purchased from a related member.

b. Compensation and wages and payments on which withholding payments are remitted to the Department of Revenue under Article 4A of Chapter 105 of the General Statutes. Payments made to a loan-out company for services provided in North Carolina shall be subject to gross income tax withholding at the applicable rate under the Article 4 of Chapter 105 of the General Statutes.

c. Employee fringe contributions, including health, pension, and welfare contributions.

d. Per diems, stipends, and living allowances paid for work being performed in this State.

(8) Related member. – Defined in G.S. 105-130.7A.

(9) Secretary. – The Secretary of Commerce.

(c) Application. – A production company shall apply, under oath, to the Secretary for a grant on a form prescribed by the Secretary. The Secretary shall evaluate the applications to ensure the production's content is created for entertainment purposes. The application shall include all documentation and information the Secretary deems necessary to evaluate the grant application.

(d) Substantiation. – The Secretary shall work with the North Carolina Film Office to adopt guidelines to provide a process to verify the actual qualifying expenses of a certified production. The Secretary may not release grant funds until the substantiation process required by this subsection is complete and the final verified amount of qualified expenses is determined. The process shall require each of the following:

(1) The production company shall submit all the qualifying expenses for the production and data substantiating the qualifying expenses, including documentation on the net expenditure on equipment and other tangible personal property to an independent certified public accountant licensed in this State.

(2) The accountant shall conduct a compliance audit, at the certified production's expense, pursuant to guidelines established by the Secretary and submit the results as a report, along with the required substantiating data, to the production company and the North Carolina Film Office.

(3) The North Carolina Film Office shall review the report and advise the Department on the final verified amount of qualifying expenses made by the certified production.

(e) Report. – The Department shall provide to the Department of Revenue, and the Department of Revenue must include in the economic incentives report required by G.S. 105-256, the following information, itemized by production company:

(1) The location of sites used in a production for which a grant was awarded.

(2) The qualifying expenses, classified by whether the expenses were for goods, services, or compensation paid by the production company.

(3) The number of people employed in the State with respect to grants awarded, including the number of residents of the State employed.

(4) The total cost of the grants awarded.

(f) NC Film Office. – To claim a grant under this section, a production company must notify the Division of Tourism, Film, and Sports Development in the Department of Commerce of its intent to apply for a grant. The notification must include the title of the production, the name of the production company, a financial contact for the production company, the proposed dates on which the production company plans to begin filming the production, and any other information required by the Division.

(g) Guidelines. – The Department of Commerce shall develop guidelines related to the administration of the Film and Entertainment Grant Fund and to the selection of productions that will receive grants from the Fund. At least 20 days before the effective date of any guidelines or nontechnical amendments to the guidelines, the Department of Commerce shall publish the proposed guidelines on the Department's Web site and provide notice to persons

who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications."

SECTION 15.14B.(b) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

(18) The Department of Commerce and the Economic Investment Committee in developing criteria and administering the Job Maintenance and Capital Development Fund under G.S. 143B-437.012.

(18a) The Department of Commerce in administering the Film and Entertainment Grant Fund under G.S. 143B-437.02A.

…."

SECTION 15.14B.(c) This section becomes effective January 1, 2015, and expires July 1, 2020. The Secretary shall not award a grant for any qualifying expenses for which a taxpayer receives a tax credit under G.S. 105-130.47 or G.S. 105-151.29.

EMPLOYMENT SECURITY RESERVE FUND

SECTION 15.15. Section 15.4(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 15.4.(a)** There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the ~~2013-2014~~2014-2015 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits."

APPOINTMENT OF DEPUTY COMMISSIONERS FOR INDUSTRIAL COMMISSION

SECTION 15.16.(a) G.S. 97-79(b) reads as rewritten:

"(b) The Chair of the Commission may appoint ~~deputies who~~ deputy commissioners to serve a term of six years. No person may serve more than two terms as a deputy commissioner. In calculating the number of terms served, a partial term of less than two years shall not be included. Deputy commissioners shall have the same power as members of the Commission pursuant to G.S. 97-80 and the same power to take ~~evidence,~~evidence and enter orders, opinions, and awards based thereon as is possessed by the members of the Commission. ~~The deputies shall be subject to the State Personnel System.~~During the term, the deputy commissioner may only be removed from office pursuant to G.S. 97-78.1. Upon the expiration of each term, the deputy commissioner's employment shall be separated unless reappointed by the Chair of the Commission."

SECTION 15.16.(b) G.S. 126-5 reads as rewritten:

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

…

(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

…

(2) Officers and employees of the Judicial Department.

(2a) Deputy commissioners appointed pursuant to G.S. 97-79.

…

…

(d) …

(7) Hearing Officers. – Except for deputy commissioners appointed pursuant to G.S. 97-79 and as otherwise specifically provided by this section, no employee, by whatever title, whose primary duties include the power to conduct hearings, take evidence, and enter a decision based on findings of fact and conclusions of law based on statutes and legal precedents shall be designated as exempt. This subdivision shall apply beginning July 1, 1985, and no list submitted after that date shall designate as exempt any employee described in this subdivision.

…."

SECTION 15.16.(c) As of August 1, 2014, the terms of all current deputy commissioners are as follows:

(1) The seven deputy commissioners with the least time of service shall each serve a term of six months expiring February 1, 2015.
(2) The seven deputy commissioners with the next least time of service shall each serve a term of 12 months expiring August 1, 2015.
(3) The remaining deputy commissioners not covered under subdivision (1) or (2) of this subsection shall each serve a term of 18 months expiring February 1, 2016.
(4) Time of service shall be calculated beginning with the hire date of the person as a deputy commissioner.
(5) Nothing in this section shall prohibit a current deputy commissioner from being eligible for reappointment to a six-year term, as provided by subsection (a) of this section.

SECTION 15.16.(d) Section 60(b) of S.L. 2013-413 is repealed.

SECTION 15.16.(e) This section is effective when it becomes law.

WORKERS' COMPENSATION/REIMBURSEMENT FOR PRESCRIPTION DRUGS AND PROFESSIONAL PHARMACEUTICAL SERVICES

SECTION 15.16A.(a) Article 1 of Chapter 97 of the General Statutes is amended by adding a new section to read as follows:

"**§ 97-26.2. Reimbursement for prescription drugs and professional pharmaceutical services.**

(a) The reimbursement for prescription drugs and professional pharmaceutical services shall be limited to ninety-five percent (95%) of the average wholesale price (AWP) of the product, calculated on a per unit basis, as of the date of dispensing.

(b) All of the following shall apply to the reimbursement for prescription drugs and professional pharmaceutical services:

(1) A health care provider seeking reimbursement for drugs dispensed by a physician shall include the original manufacturer's National Drug Code (NDC) number, as assigned by the United States Food and Drug Administration, on the bills and reports required by this section.
(2) In no event may a physician receive reimbursement in excess of ninety-five percent (95%) of the AWP of the drugs dispensed by a physician, as determined by reference to the original manufacturer's NDC number.
(3) A repackaged NDC number may not be used and will not be considered the original manufacturer's NDC number. If a health care provider seeking reimbursement for drugs dispensed by a physician does not include the original manufacturer's NDC number on the bills and reports required by this section, reimbursement shall be limited to one hundred percent (100%) of the AWP of the least expensive clinically equivalent drug, calculated on a per unit basis.
(4) No outpatient provider, other than a licensed pharmacy, may receive reimbursement for a Schedule II controlled substance, as defined in G.S. 90-90, or a Schedule III controlled substance, as defined in G.S. 90-91, dispensed in excess of an initial five-day supply, commencing upon the employee's initial treatment following injury. Reimbursement under this subdivision shall be made for the five-day supply at the rates provided in this section.
(5) For purposes of this section, the term "clinically equivalent" means a drug has chemical equivalents which, when administered in the same amounts, will provide essentially the same therapeutic effect as measured by the control of a symptom or disease."

SECTION 15.16A.(b) This section is effective when it becomes law.

INDUSTRIAL COMMISSION FEES

SECTION 15.16B.(a) G.S. 97-73 reads as rewritten:

"**§ 97-73. Fees.**

(a) Claims. – ~~The~~ Except as provided in subsection (e) of this section, the Industrial Commission may establish by rule a schedule of fees for examinations conducted, reports

made, documents filed, and agreements reviewed under this Article. The fees shall be collected in accordance with rules adopted by the Industrial Commission.

(b), (c) Repealed by Session Laws 2003-284, s. 10.33(d), effective July 1, 2003.

(d) Safety. – A fee in the amount set by the Industrial Commission is imposed on an employer for whom the Industrial Commission provides an educational training program on how to prevent or reduce accidents or injuries that result in workers' compensation claims or a person for whom the Industrial Commission provides other educational services. The fees are departmental receipts.

(e) Exceptions. – Notwithstanding subsection (a) of this section, the Industrial Commission may not charge fees for any of the following:

(1) A hearing before a Deputy Commissioner under this Chapter.

(2) A hearing before the full Commission under this Chapter.

(3) Processing of an agreement for compensation of disability, an employer's admission of employee's right to permanent partial disability, or a supplemental agreement as to payment of compensation."

SECTION 15.16B.(b) This section becomes effective July 1, 2015.

NC BIOTECHNOLOGY CENTER

SECTION 15.17. Section 15.30 of S.L. 2013-360 reads as rewritten:

"**SECTION 15.30.(a)** Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of twelve million six hundred thousand three hundred thirty-eight dollars ($12,600,338) for each fiscal year in the 2013-2015 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – $2,709,073;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $8,165,019; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $1,726,246.

"**SECTION 15.30.(a1)** The Center shall prioritize funding and distribution of loans over existing funding and distribution of grants.

"**SECTION 15.30.(b)** Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

"**SECTION 15.30.(c)** The Center shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

"**SECTION 15.30.(d)** Of the funds appropriated in this act to the Center, the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2014-2015 fiscal year shall be allocated as follows:

(1) Continued efforts growing the Ag Biotech sector – $250,000.

(2) Concentrated attention on biodefense cluster effort – $750,000."

RESEARCH TRIANGLE INSTITUTE ENERGY RESEARCH

SECTION 15.18. The Research Triangle Institute shall share with the State Energy Office any research supported wholly or partially through funds appropriated by this act that pertains to energy or energy efficiency.

GRASSROOTS SCIENCE PROGRAM

SECTION 15.19. Section 15.25A of S.L. 2013-360 reads as rewritten:

"**SECTION 15.25A.(a)** Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782) for the 2013-2014 fiscal year and the sum of ~~two million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782)~~ two million four hundred forty-eight thousand four hundred twenty-nine dollars ($2,448,429) for the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	2013-2014	2014-2015
Aurora Fossil Museum	$61,821	~~$61,821~~$60,526
Cape Fear Museum	$85,248	~~$85,248~~$84,340
Carolina Raptor Center	$74,916	~~$74,916~~$76,365
Catawba Science Center	$93,041	~~$93,041~~$93,328
Colburn Earth Science Museum, Inc.	$62,547	~~$62,547~~$62,426
Cowan Museum of History and Science		$58,000
Core Sound Waterfowl Museum	$67,395	~~$67,395~~$66,761
Discovery Place	$261,617	~~$261,617~~$254,746
Eastern NC Regional Science Center	$59,587	~~$59,587~~$59,637
Fascinate-U	$65,616	~~$65,616~~$65,792
Granville County Museum Commission, Inc.–Harris Gallery	$60,651	~~$60,651~~$61,068
Greensboro Children's Museum	$83,575	~~$83,575~~$79,322
Hands On! – A Child's Gallery		$58,000
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$73,352	~~$73,352~~$0
Highlands Nature Center	$62,816	~~$62,816~~$62,887
Imagination Station	$67,588	~~$67,588~~$65,349
The Iredell Museums, Inc.	$61,013	~~$61,013~~$60,720
Kidsenses	$65,233	~~$65,233~~$64,967
Marbles Kids Museum		$58,000
Museum of Coastal Carolina	$65,454	~~$65,454~~$66,591
The Natural Science Center of Greensboro, Inc.	$116,532	~~$116,532~~$115,410
North Carolina Estuarium	$58,000	~~$58,000~~$62,359
North Carolina Museum of Life and Science	$203,545	~~$203,545~~$197,983
Pisgah Astronomical Research Institute	$74,925	~~$74,925~~$83,281
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$60,610	~~$60,610~~$60,248
Rocky Mount Children's Museum	$66,463	~~$66,463~~$67,464
Schiele Museum of Natural History and Planetarium, Inc.	$100,990	~~$100,990~~$107,868
Sci Works Science Center and Environmental Park of Forsyth County	$83,725	~~$83,725~~$84,336
Sylvan Heights Waterfowl Park and Eco-Center	$69,864	~~$69,864~~$68,981
Western North Carolina Nature Center	$74,973	~~$74,973~~$72,400
Wilmington Children's Museum	$66,684	~~$66,684~~$69,274
Total	**$2,347,782**	**~~$2,347,782~~$2,448,429**

…

"**~~SECTION 15.25A.(f)~~** ~~Each museum listed in subsection (a) of this section shall do the following:~~

~~(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.~~

~~(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.~~"

STUDY FUTURE USE OF BROUGHTON HOSPITAL FACILITIES

SECTION 15.20.(a) Upon the Department of Commerce's raising the sum of two hundred thousand dollars ($200,000) in non-State funds for the study described in subsection (b) of this section, the Department shall use those funds, together with the sum of two hundred thousand dollars ($200,000) in nonrecurring funds appropriated in this act to the Department of Commerce for the 2014-2015 fiscal year, to conduct the study described in subsection (b) of this section.

SECTION 15.20.(b) The Department of Commerce shall, in conjunction with the Department of Health and Human Services, the Department of Administration, the City of Morganton, and the County of Burke, use the funds described in subsection (a) of this section to study potential uses for vacated Broughton Hospital facilities and potential development or redevelopment of adjoining State-owned properties to ascertain the economic benefits of use, development, and redevelopment. The study required by this section shall examine all of the following:

(1) Potential uses of vacated Broughton Hospital facilities and development or redevelopment of adjoining State-owned properties.
(2) Benefits to the State, local governments, and the private sector of each potential use identified in the study.
(3) Costs to the State, to the City of Morganton, to the County of Burke, and to the private sector of each potential use identified in the study.
(4) Opportunities to use the properties for public-private partnerships.
(5) Any other matters that the Department of Administration deems relevant to this study of potential economic benefits in the use of vacated Broughton Hospital facilities and properties.

SECTION 15.20.(c) No later than December 31, 2014, the Department of Commerce shall submit an interim report on the study to the Chairs of the Joint Legislative Oversight Committee on Health and Human Services, to the Chairs of the Joint Legislative Committee on Economic Development and Global Engagement, and to the Chairs of the Joint Legislative Commission on Governmental Operations. No later than June 30, 2015, the Department of Administration shall submit a final report on the results of the study to the Chairs of the same committees.

SECTION 15.20.(d) The Department of Administration shall cooperate fully with the performance of the study required by this section and shall provide timely information about the facilities and other properties being evaluated as part of the study to the Department of Commerce.

FUNDS FOR THE EARL SCRUGGS CENTER

SECTION 15.20.(a) Of the funds appropriated in this act to the Department of Commerce for State Aid, the sum of two hundred fifty thousand dollars ($250,000) in nonrecurring funds for the 2014-2015 fiscal year shall be allocated to Destination Cleveland County, Inc., for the Earl Scruggs Center to support the Center's activities related to the history and cultural traditions of Cleveland County and the surrounding region.

SECTION 15.20.(b) Destination Cleveland County, Inc., shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the Center's prior State fiscal year activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

GOVERNOR'S CRIME COMMISSION

SECTION 16A.2. G.S. 143B-1101(b) reads as rewritten:

"(b) The Governor's Crime Commission shall review the level of gang activity throughout the State and assess the progress and accomplishments of the State, and of local governments, in preventing the proliferation of gangs and addressing the needs of juveniles who have been identified as being associated with gang activity.

The Governor's Crime Commission shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention ~~to the General Assembly~~ and shall report those recommendations to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 16A.3. Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of the Department of Public Safety may reclassify or eliminate existing positions in the Division of Administration that are not specifically addressed in this act as needed for the efficient operation of the Department. No position shall be reclassified pursuant to this section solely for the purpose of providing a person in that position with a salary increase. The Secretary of the Department of Public Safety shall report any position reclassification undertaken pursuant to this section to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Fiscal Research Division within 30 days of the reclassification. The report shall include the position number, original title, original fund code, original budgeted salary, new title, new fund code, and new budgeted salary for each reclassified position.

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

COMPLIANCE WITH CJIS DATA SECURITY STANDARDS

SECTION 16B.1. The Department of Public Safety shall use funds available to the Division of Law Enforcement to ensure compliance with applicable Federal Bureau of Investigation security standards relating to the access of data in its Criminal Justice Information System. The Department is encouraged to use funds transferred to the State from federal asset forfeiture programs for this purpose.

ABC PERMIT FEE INCREASE

SECTION 16B.2.(a) G.S. 18B-903 reads as rewritten:

"**§ 18B-903. Duration of permit; renewal and transfer.**

…

(b) Renewal. – Application for renewal of an ABC permit shall be on a form provided by the Commission. An application for renewal shall be accompanied by an application ~~fee of twenty-five percent (25%) of the original application fee set in G.S. 18B-902,~~ fee. The application fee shall be the same amount as the initial fee set in G.S. 18B-902, except that the renewal application fee for each wine shop permit shall be five hundred dollars ($500.00), and the renewal application fee for each mixed beverages permit and each guest room cabinet permit shall be ~~seven hundred fifty dollars ($750.00).~~one thousand dollars ($1,000). A renewal fee shall not be refundable.

(b1) Registration. – Each person holding a malt beverage, fortified wine, or unfortified wine permit issued pursuant to G.S. 18B-902(d)(1) through G.S. 18B-902(d)(6) shall register by May 1 of each year on a form provided by the Commission, in order to provide information needed by the State in enforcing this Chapter and to support the costs of that enforcement. The registration required by this subsection shall be accompanied by an annual registration and inspection fee of ~~two hundred dollars ($200.00)~~four hundred dollars ($400.00) for each permit held. The fee shall be paid by May 1 of each year. A registration fee shall not be refundable. Failure to pay the annual registration and inspection fee shall result in revocation of the permit.

…."

SECTION 16B.2.(b) This section applies to fees assessed or collected for permits issued or renewed on or after July 1, 2014.

ESTABLISH HAZARDOUS MATERIALS FACILITY FEE/NEW HAZMAT RESPONSE TEAM

SECTION 16B.3.(a) G.S. 166A-21 reads as rewritten:

"**§ 166A-21. Definitions.**

~~As used in this Article:~~The following definitions apply in this Article:

(1) Department. – The Department of Public Safety.

(2) Division. – The Division of Emergency Management.

~~(1)~~(3) ~~"Hazardous materials emergency response team" or "hazmat team" means an~~ Hazardous materials emergency response team or hazmat team. – An organized group of persons specially trained and equipped to respond to and control actual or potential leaks or spills of hazardous materials.

~~(2)~~(4) ~~"Hazardous material" means any~~ Hazardous material. – Any material defined as a hazardous substance under 29 Code of Federal Regulations § 1910.120(a)(3).

~~(3)~~(5) ~~"Hazardous materials incident" or "hazardous materials emergency" means an~~Hazardous materials incident or hazardous materials emergency. – An uncontrolled release or threatened release of a hazardous substance requiring outside assistance by a local fire department or hazmat team to contain and control.

~~(4)~~(6) ~~"Regional response team" means a~~ Regional response team. – A hazmat team under contract with the State to provide response to hazardous materials emergencies occurring outside the hazmat team's local jurisdiction at the direction of the Department of Public Safety, Division of Emergency Management.

~~(5)~~(7) ~~"Secretary" means the~~ Secretary. – The Secretary of the Department of Public Safety.

~~(6)~~(8) ~~"Technician-level entry capability" means the~~ Technician-level entry capability. – The capacity of a hazmat team, in terms of training and equipment as specified in 29 Code of Federal Regulations § 1910.120, to respond to a hazardous materials incident requiring affirmative measures, such as patching, plugging, or other action necessary to stop and contain the release of a hazardous substance at its source.

~~(7)~~(9) ~~"Terrorist incident" means activities~~ Terrorist incident. – Activities that occur within the territorial jurisdiction of the United States, involve acts dangerous to human life that are a violation of the criminal laws of the United States or of any state, and are intended to do one of the following:

a. Intimidate or coerce a civilian population.

b. Influence the policy of a government by intimidation or coercion.

c. Affect the conduct of a government by mass destruction, assassination, or kidnapping."

SECTION 16B.3.(b) Article 2 of Chapter 166A of the General Statutes is amended by adding a new section to read:

"**§ 166A-29.1. Hazardous materials facility fee.**

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

(1) EPCRA. – The federal Emergency Planning and Community Right-to-Know Act, P.L. No. 99-499 et. seq.

(2) Hazardous chemical. – As defined in 29 C.F.R. 1910.1200(c), except that the term does not include any of the following:

a. Any food, food additive, color additive, drug, or cosmetic regulated by the Food and Drug Administration.

b. Any substance present as a solid in any manufactured item to the extent exposure to the substance does not occur under normal conditions of use.

c. Any substance to the extent that it is used for personal, family, or household purposes or is present in the same form and concentration as a product packaged for distribution and use by the public.

d. Any substance to the extent that it is used in a research laboratory or a hospital or other medical facility under the direct supervision of a technically qualified individual.

e. Any substance to the extent that it is used in routine agricultural operations or is a fertilizer held for sale by a retailer to the ultimate consumer.

(3) Extremely hazardous substance. – Any substance, regardless of its state, set forth in 40 C.F.R. Part 355, Appendix A or B.

(b) Annual Fee Shall Be Charged. – A person required under Section 302 or 312 of EPCRA to submit a notification or an annual inventory form to the Division shall be required to pay to the Department an annual fee in the amount set forth in subsection (c) of this section.

(c) Amount of Fee. – The amount of the annual fee charged pursuant to subsection (b) of this section shall be calculated in accordance with the following, up to a maximum annual amount of five thousand dollars ($5,000):

(1) A fee of fifty dollars ($50.00) shall be assessed for each substance reported by a facility that is classified as a hazardous chemical.

(2) A fee of ninety dollars ($90.00) shall be assessed for each substance reported by a facility that is classified as an extremely hazardous substance.

(d) Late Fees. – The Division may impose a late fee for failure to submit a report or filing that substantially complies with the requirements of EPCRA by the federal filing deadline or for failure to pay any fee, including a late fee. This fee shall be in addition to the fee imposed pursuant to subsection (c) of this section. Prior to imposing a late fee, the Division shall provide the person who will be assessed the late fee with written notice that identifies the specific requirements that have not been met and informs the person of its intent to assess a late fee. The assessment of a late fee shall be subject to the following limitations:

(1) If the report filing or fee is submitted within 30 days after receipt of the Division's notice that it intends to assess a late fee, no late fee shall be assessed.

(2) If the report filing or fee has not been submitted by the end of the period set forth in subdivision (1) of this subsection, the Division may impose a late fee in an amount equal to the amount of the fee charged pursuant to subsection (c) of this section.

(e) Exemptions. – No fee shall be charged under this section to any of the following:

(1) An owner or operator of a family farm enterprise, a facility owned by a State or local government, or a nonprofit corporation.

(2) An owner or operator of a facility where motor vehicle fuels are stored and from which such fuels are offered for retail sale. However, hazardous chemicals or extremely hazardous substances at such a facility, other than motor vehicle fuels for retail sale, shall not be subject to this exemption.

(3) A motor vehicle dealer, as that term is defined in G.S. 20-286(11).

(f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall be used for the following:

(1) To pay costs associated with the maintenance of a hazardous materials database.

(2) To support the operations of the regional response program for hazardous materials emergencies and terrorist incidents.

(3) To provide grants to counties for hazardous materials emergency response planning, training, and related exercises."

SECTION 16B.3.(c) The Department of Public Safety may establish and operate an additional hazmat team to serve Lee and Moore Counties and shall use proceeds from fees assessed and collected pursuant to G.S. 166A-29.1 to ensure that the hazardous materials emergency response capabilities in Moore and Lee Counties are sufficient to respond to any hazardous materials emergencies occurring in those counties as a result of natural gas exploration and extraction.

SECTION 16B.3.(d) G.S. 166A-22 reads as rewritten:

"**§ 166A-22. Hazardous materials emergency response program.**

(a) The Secretary shall adopt rules establishing a regional response program for hazardous materials emergencies and terrorist incidents, to be administered by the Division of Emergency Management. To the extent possible, the regional response program shall be coordinated with other emergency planning activities of the State. The regional response program shall include at least ~~six~~ seven hazmat teams located strategically across the State that are available to provide regional response to hazardous materials or terrorist incidents requiring

technician-level entry capability and 24-hour dispatch and communications capability at the Division of Emergency Management Operations Center. The rules for the program shall include:

…."

SECTION 16B.3.(e) This section applies to fees assessed on or after July 1, 2014.

MOBILE VIPER RADIOS FOR THE STATE HIGHWAY PATROL

SECTION 16B.5. The Department of Public Safety shall use the sum of two million eight hundred ninety-four thousand one hundred eighty-eight dollars ($2,894,188) of funds available to the Division of Law Enforcement to purchase mobile VIPER radios for the State Highway Patrol. The Department is encouraged to use funds transferred to the State from federal asset forfeiture programs for this purpose.

STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS

SECTION 16B.6.(a) The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 16B.6.(b) The State Capitol Police shall report the creation of any position pursuant to this section to the Chairs of the House Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Fiscal Research Division within 30 days of the position's creation.

AUTHORIZE ADDITIONAL ASSISTANT ADJUTANT GENERAL POSITION

SECTION 16B.7. G.S. 127A-19 reads as rewritten:

"**§ 127A-19. Adjutant General.**

The military head of the militia shall be the Adjutant General who shall hold the rank of major general. The Adjutant General shall be appointed by the Governor in the Governor's capacity as commander in chief of the militia, in consultation with the Secretary of Public Safety, and shall serve at the pleasure of the Governor. No person shall be appointed as Adjutant General who has less than five years' commissioned service in an active status in any component of the Armed Forces of the United States. The Adjutant General, while holding this office, may be a member of the active North Carolina National Guard or naval militia.

Subject to the approval of the Governor and in consultation with the Secretary of Public Safety, the Adjutant General may appoint (i) a deputy adjutant general who may hold the rank of major general, and (ii) ~~an~~ two assistant ~~adjutant~~ adjutants general for Army National Guard, and an assistant adjutant general for Air National Guard, each of whom may hold the rank of brigadier general and who shall serve at the pleasure of the Governor. The Adjutant General may also employ staff members and other personnel as authorized by the Secretary and funded."

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

ALL MISDEMEANANTS TO SERVE SENTENCES IN LOCAL CONFINEMENT FACILITIES

SECTION 16C.1.(a) G.S. 15A-1351(a) reads as rewritten:

"(a) The judge may sentence to special probation a defendant convicted of a criminal offense other than impaired driving under G.S. 20-138.1, if based on the defendant's prior record or conviction level as found pursuant to Article 81B of this Chapter, an intermediate punishment is authorized for the class of offense of which the defendant has been convicted. A defendant convicted of impaired driving under G.S. 20-138.1 may also be sentenced to special probation. Under a sentence of special probation, the court may suspend the term of imprisonment and place the defendant on probation as provided in Article 82, Probation, and in addition require that the defendant submit to a period or periods of imprisonment in the custody of the Division of Adult Correction of the Department of Public Safety or a designated local confinement or treatment facility at whatever time or intervals within the period of probation, consecutive or nonconsecutive, the court ~~determines.~~determines, as provided in this subsection. For probationary sentences for misdemeanors, including impaired driving under G.S. 20-138.1, all imprisonment under this subsection shall be in a designated local confinement or treatment facility. In addition to any other conditions of probation which the court may impose, the court

shall impose, when imposing a period or periods of imprisonment as a condition of special probation, the condition that the defendant obey the Rules and Regulations of the Division of Adult Correction of the Department of Public Safety governing conduct of inmates, and this condition shall apply to the defendant whether or not the court imposes it as a part of the written order. ~~If~~Except for probationary sentences for misdemeanors, including impaired driving under G.S. 20-138.1, if imprisonment is for continuous periods, the confinement may be in the custody of either the Division of Adult Correction of the Department of Public Safety or a local confinement facility. Noncontinuous periods of imprisonment under special probation may only be served in a designated local confinement or treatment facility. Except for probationary sentences of impaired driving under G.S. 20-138.1, the total of all periods of confinement imposed as an incident of special probation, but not including an activated suspended sentence, may not exceed one-fourth the maximum sentence of imprisonment imposed for the offense, and no confinement other than an activated suspended sentence may be required beyond two years of conviction. For probationary sentences for impaired driving under G.S. 20-138.1, the total of all periods of confinement imposed as an incident of special probation, but not including an activated suspended sentence, shall not exceed one-fourth the maximum penalty allowed by law. In imposing a sentence of special probation, the judge may credit any time spent committed or confined, as a result of the charge, to either the suspended sentence or to the imprisonment required for special probation. The original period of probation, including the period of imprisonment required for special probation, shall be as specified in G.S. 15A-1343.2(d), but may not exceed a maximum of five years, except as provided by G.S. 15A-1342(a). The court may revoke, modify, or terminate special probation as otherwise provided for probationary sentences."

SECTION 16C.1.(b) G.S. 15A-1352 reads as rewritten:

"**§ 15A-1352. Commitment to Division of Adult Correction of the Department of Public Safety or local confinement facility.**

(a) ~~A~~Except as provided in subsection (f) of this section, a person sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine for conviction of a misdemeanor under Article 84 of this Chapter shall be committed for the term designated by the court to the ~~custody of the Division of Adult Correction of the Department of Public Safety or to a local confinement facility. If the sentence imposed for a misdemeanor is for a period of 90 days or less, the commitment must be to a facility other than one maintained by the Division of Adult Correction of the Department of Public Safety, except as provided in G.S. 148-32.1(b). If the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Division of Adult Correction of the Department of Public Safety.~~Statewide Misdemeanant Confinement Program as provided in G.S. 148-32.1 or, if the period is for 90 days or less, to a local confinement facility, except as provided for in G.S. 148-32.1(b).

If a person is sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter, the sentencing judge ~~shall~~ may make a finding of fact as to whether the person would be suitable for placement in a county satellite jail/work release unit operated pursuant to G.S. 153A-230.3. If the sentencing judge makes a finding of fact that the person would be suitable for placement in a county satellite jail/work release unit and the person meets the requirements listed in G.S. 153A-230.3(a)(1), then the custodian of the local confinement facility may transfer the misdemeanant to a county satellite jail/work release unit.

(b) A person sentenced to imprisonment for a felony under this Article or for nonpayment of a fine for conviction of a felony under Article 84 of this Chapter shall be committed for the term designated by the court to the custody of the Division of Adult Correction of the Department of Public Safety.

~~(c) A person sentenced to imprisonment for nonpayment of a fine under Article 84, Fines, shall be committed for the term designated by the court:~~

~~(1) To the custody of the Division of Adult Correction of the Department of Public Safety if the person was fined for conviction of a felony;~~

~~(2) To the custody of the Division of Adult Correction of the Department of Public Safety or to a local confinement facility if the person was fined for conviction of a misdemeanor, provided that (i) if the sentence imposed is for a period of 90 days or less, the commitment shall be to a facility other than one maintained by the Division of Adult Correction of the Department of~~

~~Public Safety, except as provided in G.S. 148-32.1(b) and (ii) if the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Division of Adult Correction of the Department of Public Safety.~~

(d) Notwithstanding any other provision of law, when the sentencing court, with the consent of the person sentenced, orders that a person convicted of a misdemeanor be granted work release, the court may commit the person to a specific prison facility or local confinement facility or satellite jail/work release unit within the county of the sentencing court in order to facilitate the work release arrangement. When appropriate to facilitate the work release arrangement, the sentencing court may, with the consent of the sheriff or board of commissioners, commit the person to a specific local confinement facility or satellite jail/work release unit in another ~~county, or, with the consent of the Division of Adult Correction of the Department of Public Safety, commit the person to a specific prison facility in another county. The Division of Adult Correction of the Department of Public Safety may transfer a prisoner committed to a specific prison facility to a different facility when necessary to alleviate overcrowding or for other administrative purposes.~~county.

~~(e) A person sentenced for a misdemeanor who has a sentence imposed that requires confinement for a period of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1 under this Article or for nonpayment of a fine under Article 84 of this Chapter, shall be committed for the term designated by the court to confinement pursuant to the Statewide Misdemeanant Confinement Program established by G.S. 148-32.1.~~

(f) A person sentenced to imprisonment of any duration for impaired driving under G.S. 20-138.1, other than imprisonment required as a condition of special probation under G.S. 15A-1351(a) or G.S. 15A-1344(e), shall be committed to the Statewide Misdemeanant Confinement Program established under G.S. 148-32.1."

SECTION 16C.1.(c) G.S. 20-176(c1) is repealed.

SECTION 16C.1.(d) G.S. 20-179(f3) reads as rewritten:

"(f3) Aggravated Level One Punishment. – A defendant subject to Aggravated Level One punishment may be fined up to ten thousand dollars ($10,000) and shall be sentenced to a term of imprisonment that includes a minimum term of not less than 12 months and a maximum term of not more than 36 months. Notwithstanding G.S. 15A-1371, a defendant sentenced to a term of imprisonment pursuant to this subsection shall not be eligible for parole. However, the defendant shall be released from the ~~Division of Adult Correction of the Department of Public Safety~~Statewide Misdemeanant Confinement Program on the date equivalent to the defendant's maximum imposed term of imprisonment less four months and shall be supervised by the Section of ~~Prisons~~Community Supervision of the Division of Adult Correction under and subject to the provisions of Article 84A of Chapter 15A of the General Statutes and shall also be required to abstain from alcohol consumption for the four-month period of supervision as verified by a continuous alcohol monitoring system. For purposes of revocation, violation of the requirement to abstain from alcohol or comply with the use of a continuous alcohol monitoring system shall be deemed a controlling condition under G.S. 15A-1368.4.

The term of imprisonment may be suspended only if a condition of special probation is imposed to require the defendant to serve a term of imprisonment of at least 120 days. If the defendant is placed on probation, the judge shall impose as requirements that the defendant (i) abstain from alcohol consumption for a minimum of 120 days to a maximum of the term of probation, as verified by a continuous alcohol monitoring system pursuant to subsections (h1) and (h3) of this section, and (ii) obtain a substance abuse assessment and the education or treatment required by G.S. 20-17.6 for the restoration of a drivers license and as a condition of probation. The judge may impose any other lawful condition of probation."

SECTION 16C.1.(e) G.S. 148-13 reads as rewritten:

"**§ 148-13. Regulations as to custody grades, privileges, gain time credit, etc.**

(a) The Secretary of Public Safety may issue regulations regarding the grades of custody in which State prisoners are kept, the privileges and restrictions applicable to each custody grade, and the amount of cash, clothing, etc., to be awarded to State prisoners after their discharge or parole. The amount of cash awarded to a prisoner upon discharge or parole after being incarcerated for two years or longer shall be at least forty-five dollars ($45.00).

(a1) The Secretary of Public Safety shall adopt rules to specify the rates at, and circumstances under, which earned time authorized by G.S. 15A-1340.13(d) and

G.S. 15A-1340.20(d) may be earned or forfeited by persons serving activated sentences of imprisonment for felony or misdemeanor convictions.

(b) With respect to prisoners who are serving ~~prison or jail terms~~sentences for impaired driving offenses under G.S. 20-138.1, the Secretary of Public Safety may, in his discretion, issue regulations regarding deductions of time from the terms of such prisoners for good behavior, meritorious conduct, work or study, participation in rehabilitation programs, and the like.

(c), (d) Repealed by Session Laws 1993, c. 538, s. 32, effective January 1, 1995.

(e) The Secretary's regulations concerning earned time and good time credits authorized by this section shall be distributed to and followed by local jail administrators with regard to sentenced jail prisoners.

(f) The provisions of this section do not apply to persons sentenced to a term of special probation under G.S. 15A-1344(e) or G.S. 15A-1351(a)."

SECTION 16C.1.(f) G.S. 148-32.1 reads as rewritten:

"**§ 148-32.1. Local confinement, costs, alternate facilities, parole, work release.**

(a) Repealed by Session Laws 2009-451, s. 19.22A, effective July 1, 2009.

(b) In the event that the custodian of the local confinement facility certifies in writing to the clerk of the superior court in the county in which the local confinement facility is located that the local confinement facility is filled to capacity, or that the facility cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners, or that the custodian anticipates, in light of local experiences, an influx of temporary prisoners at that time, or if the local confinement facility does not meet the minimum standards published pursuant to G.S. 153A-221, any judge of the district court in the district court district as defined in G.S. 7A-133 where the facility is located, or any superior court judge who has jurisdiction pursuant to G.S. 7A-47.1 or G.S. 7A-48 in a district or set of districts as defined in G.S. 7A-41.1 where the facility is located may order that a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to any other qualified local confinement facility within that district or within another such district where space is available, including a satellite jail unit operated pursuant to G.S. 153A-230.3 if the prisoner is a non-violent misdemeanant, which local facility shall accept the transferred prisoner.

If no other local confinement facility is available and the reason for the requested transfer is that the local confinement facility that would be required to house the prisoner cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners or the local facility does not meet the minimum standards published pursuant to G.S. 153A-221, then the judge may order that a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to a facility operated by the Division of Adult Correction of the Department of Public Safety as designated by the Division of Adult Correction. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to a facility operated by the Division of Adult Correction.

(b1) It is the intent of the General Assembly to authorize the Division of Adult Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days ~~and up to 180 days, except for those serving a sentence for an impaired driving offense.~~and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. It is further the intent of the General Assembly that the Division of Adult Correction, in conjunction with the North Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving periods of confinement of more than 90 days ~~and up to 180 days, except for those serving sentences for an impaired driving offense.~~and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. It is also the intent of the General Assembly that the Division of Adult Correction contract with the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.

The General Assembly intends that the cost of housing and caring for these misdemeanants, including, but not limited to, care, supervision, transportation, medical, and any other related costs, be covered by State funds and not be imposed as a local cost. Therefore, the General Assembly intends that the funds in the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4 be used to provide funding to cover the costs of managing a system for

providing that housing of misdemeanants in local confinement facilities as well as reimbursing the counties for housing and related expenses for those misdemeanants.

(b2) The Statewide Misdemeanant Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a period of more than 90 days ~~and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1~~and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants from that county or from other counties pursuant to the Program may enter into a written agreement with the Division of Adult Correction to do so.

This Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c).

…."

SECTION 16C.1.(g) This section becomes effective October 1, 2014, and applies to (i) persons placed on probation or sentenced to imprisonment for impaired driving under G.S. 20-138.1 on or after January 1, 2015, and (ii) persons placed on probation or sentenced to imprisonment for all other misdemeanors other than impaired driving under G.S. 20-138.1 on or after October 1, 2014.

REMOVE LIMITATION ON COMMUNITY WORK CREW FEE

SECTION 16C.2. G.S. 148-32.2 reads as rewritten:

"**§ 148-32.2. Community work crew fee.**

The Division of Adult Correction of the Department of Public Safety may charge a fee to any unit of local government to which it provides, upon request, a community work crew. The amount of the fee shall be no more than the cost to the Division to provide the crew to the unit of local ~~government, not to exceed a daily rate of one hundred fifty dollars ($150.00) per work crew.~~government."

INMATE LABOR CONTRACT

SECTION 16C.3. The Division of Adult Correction of the Department of Public Safety shall prioritize inmate labor contracts in areas where prisons were closed during the 2013-2014 fiscal year. The Division shall charge a transportation fee equivalent to the mileage cost of transporting inmates to and from the contract site. The Division shall also charge an administrative fee as part of the inmate labor contract that reflects the other costs associated with providing the inmate labor.

EVALUATION OF ELECTRICAL DEVICES, APPLIANCES, AND EQUIPMENT USED BY THE DIVISION OF ADULT CORRECTION

SECTION 16C.4. G.S. 66-25(b) reads as rewritten:

"(b) Electrical devices, appliances, or equipment used by the Division of Adult Correction of the Department of Public Safety ~~shall~~ may be evaluated for safety and suitability by the Central Engineering Section of the Department of Public Safety. The evaluation shall be conducted in accordance with nationally recognized standards. Electrical devices, appliances, and equipment used by the Division that are not evaluated by the Central Engineering Section as provided by this subsection are subject to the evaluation requirement of subsection (a) of this section."

MAINTENANCE OF PRISONS

SECTION 16C.5. Section 1.1 of S.L. 2011-412, as amended by Section 1.2 of S.L. 2011-412, reads as rewritten:

"**SECTION 1.1.** The Department of Public Safety shall study the potential benefits and costs of contracting for maintenance services at prison facilities and report its findings to the 2013 Session of the General Assembly. ~~The Department shall not expand private maintenance contracts to additional prison facilities unless authorized by the 2013 Session of the General Assembly.~~The Department may expand private maintenance contracts to additional prison facilities if it determines that savings can be realized by doing so and that safety can be maintained at those facilities. The Department shall report to the Joint Legislative Commission

on Governmental Operations on the anticipated savings and on safety considerations prior to entering any prison maintenance contract under this section."

ADULT AND JUVENILE INMATE MEDICAL COSTS

SECTION 16C.6.(a) Section 16C.4(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 16C.4.(a)** The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional or juvenile facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care."

SECTION 16C.6.(b) Section 19.6(c) of S.L. 2010-31 reads as rewritten:

"**SECTION 19.6.(c)** The ~~Department of Correction~~Department of Public Safety shall consult with the Division of Medical Assistance in the Department of Health and Human Services to develop protocols for prisoners and juveniles committed to the Department who would be eligible for Medicaid if they were not incarcerated to access Medicaid while in ~~custody or under extended limits of confinement.~~ custody, under extended limits of confinement, or committed to the Department. The Department shall seek reimbursement from Medicaid for those health care costs incurred by the Department in those instances when ~~an inmate's~~ the Medicaid eligibility of an inmate or of a juvenile held in secure custody or committed to the Department has been temporarily reinstated due to a hospitalization. ~~The Department of Correction shall also work with the Division of Medical Assistance to determine the feasibility of applying for a Medicaid waiver to cover the inmate population.~~"

REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION PROGRAM

SECTION 16C.7.(a) Section 16C.12 of S.L. 2013-360 is repealed.

SECTION 16C.7.(b) G.S. 143B-1155(c) reads as rewritten:

"(c) The Division of Adult Correction shall report by March 1 of each year to the Chairs of the ~~Senate and House of Representatives Appropriations Committees, the~~ Senate and House of Representatives Appropriations Subcommittees on Justice and Public ~~Safety,~~Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the Treatment for Effective Community Supervision Program. The report shall include the following information:

(1) The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal ~~year.~~year and the amount of any funds carried over from the previous fiscal year.

(2) An analysis of offender participation data received, including the following:

a. The number of people on probation and post-release supervision that are in the priority population that received services.

b. The number of people on probation and post-release supervision that are in the priority population that did not receive services.

c. The number of people on probation and post-release supervision outside of the priority population that received services.

d. The type of services provided to these ~~populations.~~populations, including data on each program's utilization, capacity, and completion rates.

e. The rate of revocations ~~and successful completions for~~and the educational progress and employment status of people who received services.

f. Other measures as determined appropriate.

(3) The dollar amount needed to provide additional services to meet the needs of the priority population in the upcoming budget year.

(4) Details of personnel, travel, contractual, operating, and equipment expenditures for each program type."

CLARIFY THE IMPOSITION OF CONFINEMENT IN RESPONSE TO VIOLATIONS

SECTION 16C.8.(a) G.S. 15A-1344(d2) reads as rewritten:

"(d2) Confinement in Response to Violation. – When a defendant under supervision for a felony conviction has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a period of confinement of 90 consecutive ~~days.~~ days to be served in the custody of the Division of Adult Correction of the Department of Public Safety. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. ~~If~~ The 90-day term of confinement ordered under this subsection for a felony shall not be reduced by credit for time already served in the case. Any such credit shall instead be applied to the suspended sentence. However, if the time remaining on the maximum imposed sentence on a defendant under supervision for a felony conviction is 90 days or less, then the term of confinement is for the remaining period of the sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1.

When a defendant under supervision for a misdemeanor conviction has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a period of confinement of up to 90 consecutive ~~days.~~ days to be served where the defendant would have served an active sentence. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. Confinement under this section shall be credited pursuant to G.S. 15-196.1.

~~If a defendant is arrested for violation of a condition of probation and is lawfully confined to await a hearing for the violation, then the judge shall first credit any confinement time spent awaiting the hearing to any confinement imposed under this subsection; any excess time shall be credited to the activated sentence.~~ The period of confinement imposed under this subsection on a defendant who is on probation for multiple offenses shall run concurrently on all cases related to the violation. Confinement shall be immediate unless otherwise specified by the court.

~~A defendant shall serve any confinement imposed under this subsection in the correctional facility where the defendant would have served an active sentence.~~"

SECTION 16C.8.(b) This section becomes effective October 1, 2014, and applies to probation violations occurring on or after that date.

DETER INMATE ACCESS TO CELL PHONES

SECTION 16C.9. The Department of Public Safety, Division of Adult Correction, may use funds available to fund enhanced prison security technology to deter illegal access of cell phones by inmates in the State's prison system. The Division of Adult Correction is encouraged to identify non-General Fund sources of funds, including federal and foundation grants and other receipts, to achieve this purpose.

USE OF CLOSED FACILITIES

SECTION 16C.10. Section 16A.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 16A.3.** In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards

adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

In addition, the Department of Public Safety may use available funds to reopen and convert closed facilities for use as treatment and behavior modification facilities for offenders serving a period of confinement in response to violation pursuant to G.S. 15A-1344(d2)."

JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS

SECTION 16C.11. Section 16C.13 of S.L. 2013-360 reads as rewritten:

"**SECTION 16C.13.(a)** Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant positions within the Department to create up to 30 new field services specialist or chief probation/parole officer positions in order to meet the increasing caseloads resulting from the implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended. However, no position shall be reclassified pursuant to this section solely for the purpose of providing a person in that position with a salary increase.

"**SECTION 16C.13.(b)** The Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety and the House Appropriations Subcommittee on Justice and Public Safety by ~~March 1, 2014,~~ March 1, 2015, on the following:

(1) The position number, position type, salary, and position location of each new position created under the authority of this section.

(2) The position number, position type, fund code, and position location of each vacant position used to create new positions under the authority of this section."

STATE COMMUNITY CORRECTIONS ADVISORY BOARD APPOINTMENT

SECTION 16C.12. G.S. 143B-1157 reads as rewritten:

"**§ 143B-1157. State Community Corrections Advisory Board.**

(a) The State Board shall act as an advisory body to the Secretary with regard to this Subpart. The State Board shall consist of ~~23~~22 members as follows, to be appointed as provided in subsection (b) of this section:

(1) A member of the Senate.
(2) A member of the House of Representatives.
(3) A judge of the superior court.
(4) A judge of the district court.
(5) A district attorney.
(6) A criminal defense attorney.
(7) A county sheriff.
(8) A chief of a city police department.
(9) Two county commissioners, one from a predominantly urban county and one from a predominantly rural county.
(10) A representative of an existing community-based corrections program.
(11) A member of the public who has been the victim of a crime.
(12) ~~Two rehabilitated ex-offenders.~~A rehabilitated ex-offender.
(13) A member of the business community.
(14) Three members of the general public, one of whom is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services.
(15) A victim service provider.
(16) A member selected from each of the following service areas: mental health, substance abuse, and employment and training.
(17) A clerk of superior court.

(b) The membership of the State Board shall be selected as follows:

(1) The Governor shall appoint the following members: the county sheriff, the chief of a city police department, the member of the public who has been the victim of a crime, ~~a~~the rehabilitated ex-offender, and the members selected from each of the service areas.

(2) The Lieutenant Governor shall appoint the following members: the member of the business community, one member of the general public who is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services, and the victim service provider.

(3) The Chief Justice of the North Carolina Supreme Court shall appoint the following members: the superior court judge, the district court judge, the district attorney, the clerk of superior court, the criminal defense attorney, and the representative of an existing community-based corrections program.

(4) The President Pro Tempore of the Senate shall appoint the following members: the member of the Senate, the county commissioner from a predominantly urban county, and one member of the general public.

(5) The Speaker of the House of Representatives shall appoint the following members: the member of the House of Representatives, the county commissioner from a predominantly rural county, and one member of the general public.

In appointing the members of the State Board, the appointing authorities shall make every effort to ensure fair geographic representation of the State Board membership and to ensure that minority persons and women are fairly represented.

(c) The initial members shall serve staggered terms; one-third shall be appointed for a term of one year, one-third shall be appointed for a term of two years, and one-third shall be appointed for a term of three years. The members identified in subdivisions (1) through (7) of subsection (a) of this section shall be appointed initially for a term of one year. The members identified in subdivisions (8) through (13) in subsection (a) of this section shall be appointed initially for a term of two years. The members identified in subdivisions (14) through (16) of subsection (a) of this section shall each be appointed for a term of three years. The additional member identified in subdivision (17) in subsection (a) of this section shall be appointed initially for a term of three years.

At the end of their respective terms of office their successors shall be appointed for terms of three years. A vacancy occurring before the expiration of the term of office shall be filled in the same manner as original appointments for the remainder of the term. Members may be reappointed without limitation.

(d) Each appointing authority shall have the power to remove a member it appointed from the State Board for misfeasance, malfeasance, or nonfeasance.

(e) The members of the State Board shall, within 30 days after the last initial appointment is made, meet and elect one member as Chair and one member as Vice-Chair.

(f) The State Board shall meet at least quarterly and may also hold special meetings at the call of the Chair. For purposes of transacting business, a majority of the membership shall constitute a quorum.

(g) Any member who has an interest in a governmental agency or unit or private nonprofit agency which is applying for a Treatment for Effective Community Supervision Program contract or which has received a contract and which is the subject of an inquiry or vote by a contract oversight committee, shall publicly disclose that interest on the record and shall take no part in discussion or have any vote in regard to any matter directly affecting that particular grant applicant or grantee. "Interest" in a grant applicant or grantee means a formal and direct connection to the entity, including, but not limited to, employment, partnership, serving as an elected official, board member, director, officer, or trustee, or being an immediate family member of someone who has such a connection to the grant applicant or grantee.

(h) The members of the State Board shall serve without compensation but shall be reimbursed for necessary travel and subsistence expenses."

STUDY 340B DRUG PRICING OPPORTUNITIES

SECTION 16C.13. The Department of Public Safety, Division of Adult Correction, shall study opportunities for the State to obtain savings under the federal 340B Drug Pricing Program on drugs provided to prisoners in State correctional facilities. The Division shall conduct this study in conjunction with the University of North Carolina Health Care System. The Department shall report the results of this study by December 1, 2014, to the chairs of (i) the Joint Legislative Oversight Committee on Justice and Public Safety, (ii) the House Appropriations Subcommittee on Justice and Public Safety, and (iii) the Senate Appropriations Committee on Justice and Public Safety.

SUBPART XVI-D. RESERVED

PART XVII. DEPARTMENT OF JUSTICE

TRANSFER THE SBI AND THE ALCOHOL LAW ENFORCEMENT SECTION

SECTION 17.1.(a) The Division of Criminal Information of the Department of Justice is hereby transferred to the Department of Public Safety. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 17.1.(b) The remainder of the State Bureau of Investigation is hereby transferred to the Department of Public Safety as a new section within the Law Enforcement Division. This transfer shall have all of the elements of a Type II transfer, as described in G.S. 143A-6, except as provided in G.S. 143B-927, as enacted by subsection (ttt) of this section.

SBI TRANSFER – CREATION OF STATUTORY SUBPARTS

SECTION 17.1.(c) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart A. General Provisions."

SECTION 17.1.(d) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart B. State Capitol Police."

SECTION 17.1.(e) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart C. State Bureau of Investigation."

SBI TRANSFER – REPEAL OF CERTAIN STATUTES AND RECODIFICATION OF OTHER AFFECTED STATUTES

SECTION 17.1.(f) G.S. 114-13 is repealed.

SECTION 17.1.(g) G.S. 114-2.7 is recodified as G.S. 143B-901 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section.

SECTION 17.1.(h) G.S. 114-10 through G.S. 114-10.1 are recodified as G.S. 143B-902 through G.S. 143B-905 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section.

SECTION 17.1.(i) G.S. 143B-900 is recodified as G.S. 143B-911 under Subpart B of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (d) of this section.

SECTION 17.1.(j) G.S. 114-12 is recodified as G.S. 143B-915 under Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (e) of this section. The following statutes are recodified as G.S. 143B-917 through G.S. 143B-924 under Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (e) of this section: G.S. 114-14 through G.S. 114-15.3 and G.S. 114-17 through G.S. 114-18.

SECTION 17.1.(k) G.S. 114-19 is recodified as G.S. 143B-906 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section.

SECTION 17.1.(l) G.S. 114-19.01 is recodified as G.S. 143B-925 under Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (e) of this section.

SECTION 17.1.(m) All of Part 2 of Article 4 of Chapter 114 of the General Statutes, other than the section recodified by subsection (l) of this section, is recodified as Subpart D of Part 4 of Article 13 of Chapter 143B of the General Statutes, "Criminal History Record Checks," G.S. 143B-930 through G.S. 143B-981. Statutory sections of the former statutes that were reserved for future codification shall have corresponding sections that are reserved for future codification in the recodified statutes.

SECTION 17.1.(n) Part 3 of Article 4 of Chapter 114 of the General Statutes is recodified as Subpart E of Part 4 of Article 13 of Chapter 143B of the General Statutes, "Protection of Public Officials," G.S. 143B-986 through G.S. 143B-987.

SBI TRANSFER – OTHER CHANGES

SECTION 17.1.(o) The following statutes, as recodified by subsections (f) through (n) of this section, as applicable, are amended by deleting the language "Department of Justice" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.15A, 14-415.19, 15A-145, 15A-145.1, 15A-145.2, 15A-145.3, 15A-145.4(c) and (j), 15A-145.5(c), 15A-145.6(c), 15A-146, 18B-902, 19A-24, 48-3-309, 53-244.050, 58-71-51, 58-89A-60, 66-407, 70-13.1, 74C-8.1, 74D-2.1, 74F-18, 84-24, 85B-3.2, 90-11, 90-30, 90-85.15, 90-102.1, 90-113.46A, 90-143.3, 90-171.48, 90-210.25, 90-224, 90-270.22, 90-270.26, 90-270.29A, 90-288.01, 90-622, 90-629, 90-629.1, 90-652, 90D-7, 93A-4, 95-47.2, 106-65.26, 110-90.2, 115C-238.73, 115C-332, 121-25.1, 143-143.10A, 143B-930 through 143B-965, and 160A-304.

SECTION 17.1.(p) The following statutes, as recodified by subsections (f) through (n) of this section, as applicable, are amended by deleting the language "Attorney General" wherever it appears and substituting "Director of the State Bureau of Investigation": G.S. 15A-1475, 58-79-1 through 58-79-15, 58-79-25, 143B-921, and 163-278.

SECTION 17.1.(q) The following statutes, as recodified by subsections (f) through (n) of this section, as applicable, are amended by deleting the language "Division of Criminal Information" and "State Bureau of Investigation's Division of Criminal Information" wherever they appear and substituting "Department of Public Safety": G.S. 7B-2507, 15A-1340.14, 15A-1340.21, 20-26, 85B-3.2, 122C-80, 143B-935, 143B-943, 143B-954, and 143B-981.

SECTION 17.1.(r) The following statutes are amended by deleting the language "Division" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.7, 14-208.8, 14-208.8A, 14-208.9, 14-208.9A, 14-208.12A, 14-208.15, 14-208.15A, 14-208.22, and 14-208.27. However, no substitution shall be made under this subsection to instances of the word "Division" that appear in the phrase "Division of Adult Correction."

SECTION 17.1.(s) G.S. 7A-349 reads as rewritten:

"**§ 7A-349. Criminal history record check; denial of employment, contract, or volunteer opportunity.**

The Judicial Department may deny employment, a contract, or a volunteer opportunity to any person who refuses to consent to a criminal history check authorized under ~~G.S. 114-19.19~~G.S. 143B-950 and may dismiss a current employee, terminate a contractor, or terminate a volunteer relationship if that employee, contractor, or volunteer refuses to consent to a criminal history record check authorized under ~~G.S. 114-19.19.~~G.S. 143B-950."

SECTION 17.1.(t) G.S. 7B-1904 reads as rewritten:

"**§ 7B-1904. Order for secure or nonsecure custody.**

The custody order shall be in writing and shall direct a law enforcement officer or other authorized person to assume custody of the juvenile and to make due return on the order. The official executing the order shall give a copy of the order to the juvenile's parent, guardian, or custodian. If the order is for nonsecure custody, the official executing the order shall also give a copy of the petition and order to the person or agency with whom the juvenile is being placed. If the order is for secure custody, copies of the petition and custody order shall accompany the juvenile to the detention facility or holdover facility of the jail. A message of ~~the Division of Criminal Information, State Bureau of Investigation,~~the Department of Public Safety stating that a juvenile petition and secure custody order relating to a specified juvenile are on file in a particular county shall be authority to detain the juvenile in secure custody until a copy of the juvenile petition and secure custody order can be forwarded to the juvenile detention facility. The copies of the juvenile petition and secure custody order shall be transmitted to the detention facility no later than 72 hours after the initial detention of the juvenile.

An officer receiving an order for custody which is complete and regular on its face may execute it in accordance with its terms and need not inquire into its regularity or continued validity, nor does the officer incur criminal or civil liability for its execution."

SECTION 17.1.(u) G.S. 8-58.20(c) reads as rewritten:

"(c) The analyst who analyzes the forensic sample and signs the report shall complete an affidavit on a form developed by the ~~State Bureau of Investigation.~~State Crime Laboratory. In the affidavit, the analyst shall state (i) that the person is qualified by education, training, and experience to perform the analysis, (ii) the name and location of the laboratory where the analysis was performed, and (iii) that performing the analysis is part of that person's regular duties. The analyst shall also aver in the affidavit that the tests were performed pursuant to the accrediting body's standards for that discipline and that the evidence was handled in accordance

with established and accepted procedures while in the custody of the laboratory. The affidavit shall be sufficient to constitute prima facie evidence regarding the person's qualifications. The analyst shall attach the affidavit to the laboratory report and shall provide the affidavit to the investigating officer and the district attorney in the prosecutorial district in which the criminal charges are pending. An affidavit by a forensic analyst sworn to and properly executed before an official authorized to administer oaths is admissible in evidence without further authentication in any criminal proceeding with respect to the forensic analysis administered and the procedures followed."

SECTION 17.1.(v) G.S. 14-16.9 reads as rewritten:

"**§ 14-16.9. Officers-elect to be covered.**

Any person who has been elected to any office covered by this Article but has not yet taken the oath of office shall be considered to hold the office for the purpose of this Article and ~~G.S. 114-15.~~G.S. 143B-919."

SECTION 17.1.(w) G.S. 14-132(c)(3) reads as rewritten:

"(3) Designated by the ~~Attorney General~~Director of the State Bureau of Investigation in accordance with ~~G.S. 114-20.1.~~G.S. 143B-987."

SECTION 17.1.(x) G.S. 14-208.6 reads as rewritten:

"**§ 14-208.6. Definitions.**

The following definitions apply in this Article:

…

(1c) ~~"Division"~~"Department" means the ~~Division of Criminal Information of the Department of Justice.~~Department of Public Safety.

…

(8) "Statewide registry" means the central registry compiled by the ~~Division~~ Department in accordance with G.S. 14-208.14.

…."

SECTION 17.1.(y) G.S. 14-208.13 reads as rewritten:

"**§ 14-208.13. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1.~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires."

SECTION 17.1.(z) G.S. 14-208.14 reads as rewritten:

"**§ 14-208.14. Statewide registry; ~~Division of Criminal Statistics~~Department of Public Safety designated custodian of statewide registry.**

(a) The ~~Division of Criminal Statistics~~ Department of Public Safety shall compile and keep current a central statewide sex offender registry. The ~~Division~~ Department is the State agency designated as the custodian of the statewide registry. As custodian the ~~Division~~ Department has the following responsibilities:

(1) To receive from the sheriff or any other law enforcement agency or penal institution all sex offender registrations, changes of address, changes of academic or educational employment status, and prerelease notifications required under this Article or under federal law. The ~~Division~~ Department shall also receive notices of any violation of this Article, including a failure to register or a failure to report a change of address.

(2) To provide all need-to-know law enforcement agencies (local, State, campus, federal, and those located in other states) immediately upon receipt by the ~~Division~~ Department of any of the following: registration information, a prerelease notification, a change of address, a change of academic or educational employment status, or notice of a violation of this Article.

(2a) To notify the appropriate law enforcement unit at an institution of higher education as soon as possible upon receipt by the ~~Division~~ Department of relevant information based on registration information or notice of a change of academic or educational employment status. If an institution of higher education does not have a law enforcement unit, then the ~~Division~~Department shall provide the information to the local law enforcement agency that has jurisdiction for the campus.

(3) To coordinate efforts among law enforcement agencies and penal institutions to ensure that the registration information, changes of address, change of name, prerelease notifications, and notices of failure to register or to report a change of address are conveyed in an appropriate and timely manner.
(4) To provide public access to the statewide registry in accordance with this Article.
(4a) To maintain the system for public access so that a registrant's full name, any aliases, and any legal name changes are cross-referenced and a member of the public may conduct a search of the system for a registrant under any of those names.
(5) To maintain a system allowing an entity to access a list of online identifiers of persons in the central sex offender registry.

(b) The statewide registry shall include the following:
(1) Registration information obtained by a sheriff or penal institution under this Article or from any other local or State law enforcement agency.
(2) Registration information received from a state or local law enforcement agency or penal institution in another state.
(3) Registration information received from a federal law enforcement agency or penal institution."

SECTION 17.1.(aa) G.S. 14-208.31 reads as rewritten:

"**§ 14-208.31. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1.~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires; however, the records shall remain confidential in accordance with Article 32 of Chapter 7B of the General Statutes."

SECTION 17.1.(bb) G.S. 14-415.4(d)(5) reads as rewritten:

"(5) The petitioner submits his or her fingerprints to the sheriff of the county in which the petitioner resides for a criminal background check pursuant to ~~G.S. 114-19.28.~~G.S. 143B-959."

SECTION 17.1.(cc) G.S. 15A-266.2(4) reads as rewritten:

"(4) 'DNA Sample' means blood, cheek swabs, or any biological sample containing cells provided by any person with respect to offenses covered by this Article or submitted to the ~~State Bureau of Investigation~~State Crime Laboratory pursuant to this Article for analysis pursuant to a criminal investigation or storage or both."

SECTION 17.1.(dd) G.S. 15A-1341(d) reads as rewritten:

"(d) Search of Sex Offender Registration Information Required When Placing a Defendant on Probation. – When the court places a defendant on probation, the probation officer assigned to the defendant shall conduct a search of the defendant's name or other identifying information against the registration information regarding sex offenders compiled by the ~~Division of Criminal Statistics of the Department of Justice~~Department of Public Safety in accordance with Article 27A of Chapter 14 of the General Statutes. The probation officer may conduct the search using the Internet site maintained by the ~~Division of Criminal Statistics.~~Department of Public Safety."

SECTION 17.1.(ee) G.S. 15A-298 reads as rewritten:

"**§ 15A-298. Subpoena authority.**

Pursuant to rules issued by the ~~Attorney General,~~State Bureau of Investigation, the Director of the State Bureau of Investigation or the Director's designee may issue an administrative subpoena to a communications common carrier or an electronic communications service to compel production of business records if the records:
(1) Disclose information concerning local or long-distance toll records or subscriber information; and
(2) Are material to an active criminal investigation being conducted by the State Bureau of Investigation."

SECTION 17.1.(ff) G.S. 18C-151(a)(3) reads as rewritten:

"(3) All proposals shall be accompanied by a bond or letter of credit in an amount equal to not less than five percent (5%) of the proposal and the fee to cover

the cost of the criminal record check conducted under ~~G.S. 114-19.6.~~G.S. 143B-935."

SECTION 17.1.(gg) G.S. 74F-6(16) reads as rewritten:

"(16) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for licensure and apprenticeships pursuant to ~~G.S. 114-19.15.~~G.S. 143B-946."

SECTION 17.1.(hh) G.S. 90-113.5 reads as rewritten:

"**§ 90-113.5. State Board of Pharmacy, ~~North Carolina Department of Justice~~State Bureau of Investigation and peace officers to enforce Article.**

It is hereby made the duty of the State Board of Pharmacy, its officers, agents, inspectors, and representatives, and all peace officers within the State, including agents of the ~~North Carolina Department of Justice,~~ State Bureau of Investigation, and all State's attorneys, to enforce all provisions of this Article, except those specifically delegated, and to cooperate with all agencies charged with the enforcement of the laws of the United States, of this State, and of all other states, relating to controlled substances. The ~~North Carolina Department of Justice~~ State Bureau of Investigation is hereby authorized to make initial investigation of all violations of this Article, and is given original but not exclusive jurisdiction in respect thereto with all other law-enforcement officers of the State."

SECTION 17.1.(ii) G.S. 90-113.33(10) reads as rewritten:

"(10) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for registration, certification, or licensure pursuant to ~~G.S. 114-19.11A.~~G.S. 143B-941."

SECTION 17.1.(jj) G.S. 90-171.23(b)(19) reads as rewritten:

"(19) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for licensure pursuant to ~~G.S. 114-19.11.~~G.S. 143B-940."

SECTION 17.1.(kk) G.S. 90-270.63(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal history record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.27.~~G.S. 143B-958. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~ Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(ll) G.S. 90-345(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.26.~~G.S. 143B-957. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall

remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(mm) G.S. 93E-1-6(c1) reads as rewritten:

"(c1) The Board shall also make an investigation as it deems necessary into the background of the applicant to determine the applicant's qualifications with due regard to the paramount interest of the public as to the applicant's competency, honesty, truthfulness, and integrity. All applicants shall consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny an application. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant to be checked, a form signed by the applicant consenting to the criminal history record check, and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories and any additional information required by the ~~Department of Justice~~ Department of Public Safety in accordance with ~~G.S. 114-19.30.~~G.S. 143B-961. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(nn) G.S. 93E-2-11(b) reads as rewritten:

"(b) The Board may require that an applicant for registration as an appraisal management company or a registrant consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny registration to an applicant or registrant. The Board shall ensure that the State and national criminal history of an applicant or registrant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or registrant to be checked, a form signed by the applicant or registrant consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.30.~~G.S. 143B-961. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(oo) G.S. 101-5 reads as rewritten:

"**§ 101-5. Name change application requirements; grounds for clerk to order or deny name change; certificate and record.**

…

(e) The clerk shall forward the order granting the name change to:

…

(2) The ~~Division of Criminal Information at the State Bureau of Investigation,~~Department of Public Safety, which shall update its records to show the name change.

…

(g) Upon information obtained by the clerk of fraud or material misrepresentation in the application for a name change, the clerk on his or her own motion may set aside the order granting the name change after notice to the applicant and opportunity to be heard. If the clerk sets aside the name change order, the clerk shall notify the State Registrar of Vital Statistics and the ~~Division of Criminal Information.~~Department of Public Safety."

SECTION 17.1.(pp) G.S. 110-90.2(g), as rewritten by subsection (o) of this section, reads as rewritten:

"(g) The child care provider shall pay the cost of the fingerprinting and the federal criminal history record check in accordance with ~~G.S. 114-19.5.~~G.S. 143B-934. The Department of Public Safety shall perform the State criminal history record check. The Department of Health and Human Services shall pay for and conduct the county criminal history record check. Child care providers who reside outside the State bear the cost of the county criminal history record check and shall provide the county criminal history record check to the Division of Child Development as required by this section."

SECTION 17.1.(qq) G.S. 113-172(a) reads as rewritten:

"(a) The Secretary shall designate license agents for the Department. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission. The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence or misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by ~~G.S. 114-15.1.~~G.S. 143B-920."

SECTION 17.1.(rr) G.S. 114-2.7, recodified as G.S. 143B-901 by subsection (g) of this section, reads as rewritten:

"**§ 143B-901. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The ~~Attorney General's Office,~~Department of Public Safety, in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the ~~Attorney General's Office~~Department of Public Safety upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the ~~Attorney General's Office.~~Department of Public Safety. The ~~Attorney General's Office~~ Department of Public Safety shall report to the ~~Joint Legislative Committee on Domestic Violence,~~Joint Legislative Oversight Committee on Justice and Public Safety, no later than February 1 of each year, with the data collected for the previous calendar year."

SECTION 17.1.(ss) G.S. 114-10, recodified as G.S. 143B-902 by subsection (h) of this section, reads as rewritten:

"**§ 143B-902. ~~Division of Criminal Information.~~Powers and duties of the Department of Public Safety with respect to criminal information.**

~~The Attorney General shall set up in the Department of Justice a division to be designated as the Division of Criminal Information. There shall be assigned to this Division by the Attorney General duties as follows:~~In addition to its other duties, it shall be the duty of the Department of Public Safety to do all of the following:

…

(2) To collect, correlate, and maintain access to information that will assist in the performance of duties required in the administration of criminal justice throughout the State. This information may include, but is not limited to, motor vehicle registration, drivers' licenses, wanted and missing persons, stolen property, warrants, stolen vehicles, firearms registration, sexual offender registration as provided under Article 27A of Chapter 14 of the General Statutes, drugs, drug users and parole and probation histories. In performing this function, the ~~Division~~ Department may arrange to use information available in other agencies and units of State, local and federal government, but shall provide security measures to insure that such information shall be made available only to those whose duties, relating to the administration of justice, require such information.

…

~~(5) To perform such other duties as may be from time to time prescribed by the Attorney General.~~

(6) To promulgate rules and regulations for the administration of this Article."

SECTION 17.1.(tt) G.S. 114-10.01, recodified as G.S. 143B-903 by subsection (h) of this section, reads as rewritten:

"**§ 143B-903. Collection of traffic law enforcement statistics.**

(a) ~~In addition to the duties set forth in G.S. 114-10, the Division of Criminal Information~~ In addition to its other duties, the Department of Public Safety shall collect, correlate, and maintain the following information regarding traffic law enforcement by law enforcement officers:

…

(b) For purposes of this section, "law enforcement officer" means any of the following:

(1) All State law enforcement officers.

(2) Law enforcement officers employed by county sheriffs or county police departments.

(3) Law enforcement officers employed by police departments in municipalities with a population of 10,000 or more persons.

(4) Law enforcement officers employed by police departments in municipalities employing five or more full-time sworn officers for every 1,000 in population, as calculated by the ~~Division~~ Department for the calendar year in which the stop was made.

…

(d) Each law enforcement officer making a stop covered by subdivision (1) of subsection (a) of this section shall be assigned an anonymous identification number by the officer's employing agency. The anonymous identifying number shall be public record and shall be reported to the ~~Division~~ Department to be correlated along with the data collected under subsection (a) of this section. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of a court of competent jurisdiction to resolve a claim or defense properly before the court.

(d1) Any agency subject to the requirements of this section shall submit information collected under subsection (a) of this section to the ~~Division~~ Department within 60 days of the close of each month. Any agency that does not submit the information as required by this subsection shall be ineligible to receive any law enforcement grants available by or through the State until the information which is reasonably available is submitted.

(e) The ~~Division~~ Department shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this section during the calendar year commencing on the following January 1."

SECTION 17.1.(uu) G.S. 114-10.02, recodified as G.S. 143B-904 by subsection (h) of this section, reads as rewritten:

"**§ 143B-904. Collection of statistics on the use of deadly force by law enforcement officers.**

(a) In addition to ~~the duties set forth in G.S. 114-10, the Division of Criminal Information~~its other duties, the Department of Public Safety shall collect, maintain, and annually publish the number of deaths, by law enforcement agency, resulting from the use of deadly force by law enforcement officers in the course and scope of their official duties.

(b) For purposes of this section, "law enforcement officer" means sworn law enforcement officers with the power of arrest, both State and local."

SECTION 17.1.(vv) G.S. 114-10.1, recodified as G.S. 143B-905 by subsection (h) of this section, reads as rewritten:

"**§ 143B-905. ~~Police~~ Criminal Information Network.**

(a) The ~~Division of Criminal Information~~Department of Public Safety is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating agencies information collected, maintained and correlated under authority of ~~G.S. 114-10 of this Article.~~G.S. 143B-902. The system shall be known as the ~~Division of~~ Criminal Information Network.

(b) The ~~Division of Criminal Information~~ Department of Public Safety is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, ~~the Department of Public Safety,~~ and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) The ~~Division of Criminal Information,~~Department of Public Safety, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of the ~~Division of~~ Criminal Information Network, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and who shall have access to such information. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) ~~The Division of Criminal Information may impose an initial set-up fee of two thousand six hundred fifty dollars ($2,650) for agencies to participate in the Division of Criminal Information Network. This one-time fee shall be used to offset the cost of the router and data circuit needed to access the Network.~~

The ~~Division of Criminal Information~~ Department may ~~also~~ impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Police~~ Criminal Information ~~Network~~Network.

(1) The ~~Division of Criminal Information~~Department may impose a monthly circuit fee on agencies that access the ~~Division of~~ Criminal Information Network through a circuit maintained and operated by the ~~Department of Justice.~~Department of Public Safety. The amount of the monthly fee is three hundred dollars ($300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the additional monthly fee is twelve dollars ($12.00) per device.

(2) The ~~Division of Criminal Information~~Department may impose a monthly device fee on agencies that access the ~~Police~~ Criminal Information Network through some other approved means. The amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device."

SECTION 17.1.(ww) G.S. 114-12, recodified as G.S. 143B-915 by subsection (j) of this section, reads as rewritten:

"**§ 143B-915. Bureau of Investigation created; powers and duties.**

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, ~~the Attorney General shall set up~~there is established the State Bureau of Investigation, which shall be administratively located in the Division of Law Enforcement of the Department of ~~Justice a division to be designated as the State Bureau of Investigation.~~ Public Safety. The Bureau shall be an independent agency under the direction and supervision of the Director of the Bureau. The Director shall be the chief executive officer of the Bureau. Notwithstanding any provisions to the contrary, the Director shall have such authority as is necessary to direct and oversee the Bureau, and may delegate any duties and responsibilities necessary to ensure the proper management of the Bureau. The Department of Public Safety shall provide administrative support to the Bureau. The ~~Division~~ State Bureau of Investigation shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct.

In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.

~~The State radio system shall be made available to the Bureau Laboratory for use in its work.~~"

SECTION 17.1.(xx) G.S. 114-14, recodified as G.S. 143B-917 by subsection (j) of this section, reads as rewritten:

"**§ 143B-917. General powers and duties of Director and ~~assistants.~~law enforcement officers of the State Bureau of Investigation.**

The Director of the Bureau and ~~his assistants~~ other sworn law enforcement officers of the State Bureau of Investigation are given the same power of arrest as is now vested in the sheriffs of the several counties, and their jurisdiction shall be statewide. The Director of the Bureau and ~~his assistants shall, at the request of the Governor,~~ other sworn law enforcement officers of the Bureau may give assistance to sheriffs, police officers, district attorneys, and judges when called upon by them and so directed. They shall also give assistance, when requested, to the Department of Public Safety in the investigation of cases pending before the parole office and of complaints lodged against parolees, when so directed by the Governor."

SECTION 17.1.(yy) G.S. 114-15, recodified as G.S. 143B-919 by subsection (j) of this section, reads as rewritten:

"**§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of Governor; witness fees and mileage for ~~Director and assistants.~~employees.**

(a) The Bureau shall, ~~through its Director and~~ upon request of the Governor, investigate and prepare evidence in the event of any lynching or mob violence in the State; shall investigate all cases arising from frauds in connection with elections when requested to do so by the Board of Elections, and when so directed by the Governor. Such investigation, however, shall in nowise interfere with the power of the Attorney General to make such investigation as the Attorney General is authorized to make under the laws of the State. The Bureau is authorized further, at the request of the Governor, to investigate cases of frauds arising under the Social Security Laws of the State, of violations of the gaming laws, and lottery laws, and matters of similar kind when called upon by the Governor so to do. In all such cases it shall be the duty of the Department to keep such records as may be necessary and to prepare evidence in the cases investigated, for the use of enforcement officers and for the trial of causes. The services of ~~the Director of the Bureau, and of the Director's assistants,~~employees of the Bureau may be required by the Governor in connection with the investigation of any crime committed anywhere in the State when called upon by the enforcement officers of the State, and when, in the judgment of the Governor, such services may be rendered with advantage to the enforcement of the criminal law. The State Bureau of Investigation is hereby authorized to investigate without request the attempted arson of, or arson of, damage of, theft from, or theft of, or misuse of, any State-owned personal property, buildings, or other real property or any assault upon or threats against any legislative officer named in G.S. 147-2(1), (2), or (3), any executive officer named in G.S. 147-3(c), or any court officer as defined in G.S. 14-16.10(1).

(a1) The Bureau also is authorized at the request of the Governor to conduct a background investigation on a person that the Governor plans to nominate for a position that must be confirmed by the General Assembly, the Senate, or the House of Representatives. The background investigation of the proposed nominee shall be limited to an investigation of the person's criminal record, educational background, employment record, records concerning the listing and payment of taxes, and credit record, and to a requirement that the person provide the information contained in the statements of economic interest required to be filed by persons subject to Chapter 138A of the General Statutes. The Governor must give the person being investigated written notice that the Governor intends to request a background investigation at least 10 days prior to the date that the Governor requests the State Bureau of Investigation to conduct the background investigation. The written notice shall be sent by regular mail, and there is created a rebuttable presumption that the person received the notice if the Governor has a copy of the notice.

…

(c) All records and evidence collected and compiled by ~~the Director of the Bureau and his assistants~~employees of the Bureau shall, upon request, be made available to the district attorney of any district if the same concerns persons or investigations in his district.

(d) In all cases where the cost is assessed against the defendant and paid by him, there shall be assessed in the bill of cost, mileage and witness fees to ~~the Director and any of his assistants~~ any employees of the Bureau who are witnesses in cases arising in courts of this State. The fees so assessed, charged and collected shall be forwarded by the clerks of the court to the Treasurer of the State of North Carolina, and there credited to the Bureau of Identification and Investigation Fund."

SECTION 17.1.(zz) G.S. 114-19.1(d), as recodified by subsection (m) of this section, reads as rewritten:

"(d) Nothing in this section shall be construed as enlarging any right to receive any record of the State Bureau of Investigation. Such rights are and shall be controlled by ~~G.S. 114-15, G.S. 114-19, G.S.º120-19.4A ,~~G.S. 143B-919, 143B-906, 120-19.4A, and other applicable statutes."

SECTION 17.1.(aaa) G.S. 114-19.6(b), recodified by subsection (m) of this section and rewritten by subsection (o) of this section, reads as rewritten:

"(b) When requested by the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety, the North Carolina Department of Public Safety may provide to the requesting department or division a covered person's criminal history from the State Repository of Criminal Histories. Such requests shall not be due to a person's age, sex, race, color, national origin, religion, creed, political affiliation, or handicapping condition as defined by G.S. 168A-3. For requests for a State criminal history record check only, the requesting department or division shall provide to the Department of Public Safety a form consenting to the check signed by the covered person to be checked and any additional information required by the Department of Public Safety. National criminal record checks are authorized for covered applicants who have not resided in the State of North Carolina during the past five years. For national checks the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety shall provide to the North Carolina Department of Public Safety the fingerprints of the covered person to be checked, any additional information required by the Department of Public Safety, and a form signed by the covered person to be checked consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Health and Human Services and the Division of Juvenile Justice of the Department of Public Safety shall keep all information pursuant to this section confidential. The Department of Public Safety shall charge a reasonable fee for conducting the checks of the criminal history records authorized by this section."

SECTION 17.1.(bbb) G.S. 114-20, recodified as G.S. 143B-986 by subsection (n) of this section, reads as rewritten:

"**§ 143B-986. Authority to provide protection to certain public officials.**

The North Carolina State Bureau of Investigation is authorized to provide protection to public officials who request it, and who, in the discretion of the Director of the Bureau ~~with the approval of the Attorney General,~~ demonstrate a need for such protection. The Director of the Bureau shall notify the Governor whenever the State Bureau of Investigation provides protection to public officials pursuant to this section. The bureau shall not provide protection for any individual other than the Governor for a period greater than 30 days without review and ~~reapproval~~ approval by the ~~Attorney General.~~Governor. This review and reapproval shall be required at the end of each 30-day period."

SECTION 17.1.(ccc) G.S. 114-20.1, recodified as G.S. 143B-987 by subsection (n) of this section, reads as rewritten:

"**§ 143B-987. Authority to designate areas for protection of public officials.**

(a) The ~~Attorney General~~Director of the State Bureau of Investigation is authorized to designate buildings and grounds which constitute temporary residences or temporary offices of any public official being protected under authority of ~~G.S. 114-20,~~G.S. 143B-986, or any area that will be visited by any such official, a public building or facility during the time of such use.

(b) The ~~Attorney General or the Director of the State Bureau of Investigation~~Director of the State Bureau of Investigation may, with the consent of the official to be protected, make rules governing ingress to or egress from such buildings, grounds or areas designated under this section."

SECTION 17.1.(ddd) G.S. 122C-80 reads as rewritten:

"**§ 122C-80. Criminal history record check required for certain applicants for employment.**

…

(b) Requirement. – An offer of employment by a provider licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational

license is conditioned on consent to a State and national criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A provider shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Except as otherwise provided in this subsection, within five business days of making the conditional offer of employment, a provider shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a criminal history record check required by this section or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the provider as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the provider. Providers shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. A county that has adopted an appropriate local ordinance and has access to the Division of Criminal Information data bank may conduct on behalf of a provider a State criminal history record check required by this section without the provider having to submit a request to the Department of Justice. In such a case, the county shall commence with the State criminal history record check required by this section within five business days of the conditional offer of employment by the provider. All criminal history information received by the provider is confidential and may not be disclosed, except to the applicant as provided in subsection (c) of this section. For purposes of this subsection, the term "private entity" means a business regularly engaged in conducting criminal history record checks utilizing public records obtained from a State agency.

…

(g) Conditional Employment. – A provider may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The provider shall not employ an applicant prior to obtaining the applicant's consent for criminal history record check as required in subsection (b) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The provider shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment."

SECTION 17.1.(eee) G.S. 122C-205(c) reads as rewritten:

"(c) Upon receipt of notice of an escape or breach of a condition of release as described in subsections (a) and (b) of this section, an appropriate law enforcement officer shall take the client into custody and have the client returned to the 24-hour facility from which the client has escaped or has been conditionally released. Transportation of the client back to the 24-hour facility shall be provided in the same manner as described in G.S. 122C-251 and G.S. 122C-408(b). Law enforcement agencies who are notified of a client's escape or breach of conditional release shall be notified of the client's return by the responsible 24-hour facility. Under the circumstances described in this section, the initial notification by the 24-hour facility of the client's escape or breach of conditional release shall be given by telephone communication to the appropriate law enforcement agency or agencies and, if available and appropriate, by ~~Division of Criminal Information (DCI)~~Department of Public Safety message to any law enforcement agency in or out of state and by entry into the National Crime Information Center (NCIC) telecommunications system. As soon as reasonably possible following notification, written authorization to take the client into custody shall also be issued by the 24-hour facility. Under this section, law enforcement officers shall have the authority to take a client into custody upon receipt of the telephone notification or ~~Division of Criminal~~

~~Information~~Department of Public Safety message prior to receiving written authorization. The notification of a law enforcement agency does not, in and of itself, render this information public information within the purview of Chapter 132 of the General Statutes. However, the responsible law enforcement agency shall determine the extent of disclosure of personal identifying and background information reasonably necessary, under the circumstances, in order to assure the expeditious return of a client to the 24-hour facility involved and to protect the general public and is authorized to make such disclosure. The responsible law enforcement agency may also place any appropriate message or entry into either the ~~Division of Criminal Information System~~Department of Public Safety's Criminal Information System or National Crime Information System, or both, as appropriate."

SECTION 17.1.(fff) G.S. 131D-10.3A reads as rewritten:

"**§ 131D-10.3A. Mandatory criminal checks.**

…

(d) The ~~Department of Justice~~Department of Public Safety shall provide to the Department the criminal history of the individuals specified in subsection (a) of this section obtained from the State and National Repositories of Criminal Histories as requested by the Department. The Department shall provide to the ~~Department of Justice,~~Department of Public Safety, along with the request, the fingerprints of the individual to be checked, any additional information required by the ~~Department of Justice,~~Department of Public Safety, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories signed by the individual to be checked. The fingerprints of the individual to be checked shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check.

…

(i) The ~~Department of Justice~~Department of Public Safety shall perform the State and national criminal history checks on individuals required by this section and shall charge the Department a reasonable fee only for conducting the checks of the national criminal history records authorized by this section. The Division of Social Services, Department of Health and Human Services, shall bear the costs of implementing this section."

SECTION 17.1.(ggg) G.S. 131D-40 reads as rewritten:

"**§ 131D-40. Criminal history record checks required for certain applicants for employment.**

(a) Requirement; Adult Care Home. – An offer of employment by an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the adult care home. Adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home is

confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Adult Care Home. – An offer of employment by a contract agency of an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of an adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a contract agency of an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the contract agency of the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the adult care home. Contract agencies of adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

…

(f) Conditional Employment. – An adult care home may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The adult care home shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The adult care home shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

…."

SECTION 17.1.(hhh) G.S. 131E-159(g) reads as rewritten:

"(g) An individual who applies for EMS credentials, seeks to renew EMS credentials, or holds EMS credentials is subject to a criminal background review by the Department. At the request of the Department, the Emergency Medical Services Disciplinary Committee, established by G.S. 143-519, shall review criminal background information and make a recommendation regarding the eligibility of an individual to obtain initial EMS credentials, renew EMS credentials, or maintain EMS credentials. The Department and the Emergency Medical Services Disciplinary Committee shall keep all information obtained pursuant to this subsection confidential. The Medical Care Commission shall adopt rules to implement the provisions of this subsection, including rules to establish a reasonable fee to offset the actual costs of criminal history information obtained pursuant to ~~G.S. 114-19.21.~~G.S. 143B-952."

SECTION 17.1.(iii) G.S. 131E-265 reads as rewritten:

"**§ 131E-265. Criminal history record checks required for certain applicants for employment.**

(a) Requirement; Nursing Home or Home Care Agency. – An offer of employment by a nursing home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five

years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An offer of employment by a home care agency licensed under this Chapter to an applicant to fill a position that requires entering the patient's home is conditioned on consent to a criminal history record check of the applicant. In addition, employment status change of a current employee of a home care agency licensed under this Chapter from a position that does not require entering the patient's home to a position that requires entering the patient's home shall be conditioned on consent to a criminal history record check of that current employee. If the applicant for employment or if the current employee who is changing employment status has been a resident of this State for less than five years, then the offer of employment or change in employment status is conditioned on consent to a State and national criminal history record check. The national criminal history record check shall include a check of the applicant's or current employee's fingerprints. If the applicant or current employee has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant or current employee applying for a change in employment status. A nursing home or a home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section. In addition, a home care agency shall not change a current employee's employment status from a position that does not require entering the patient's home to a position that requires entering the patient's home who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114.19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the nursing home or home care agency. Nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home or agency is confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Nursing Home or Home Care Agency. – An offer of employment by a contract agency of a nursing home or home care agency licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of a nursing home or home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a contract agency of a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal

Records Check Unit, shall notify the contract agency of the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the nursing home or home care agency. Contract agencies of nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

…

(f) Conditional Employment. – A nursing home or home care agency may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The nursing home or home care agency shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The nursing home or home care agency shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

…."

SECTION 17.1.(jjj) G.S. 143-143.10(b)(6) reads as rewritten:

"(6) To request that the ~~Department of Justice~~Department of Public Safety conduct criminal history checks of applicants for licensure pursuant to ~~G.S. 114-19.13.~~G.S. 143B-944."

SECTION 17.1.(kkk) G.S. 143-166.13(a) reads as rewritten:

"**§ 143-166.13. Persons entitled to benefits under Article.**

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

…

~~(5)~~ ~~Alcohol Law Enforcement Agents, Department of Public Safety;~~Sworn Law Enforcement Officers in the Medicaid Fraud Unit of the Department of Justice.

…

(11) State Bureau of Investigation Officers and Alcohol Law Enforcement Agents, Department of ~~Justice;~~Public Safety;

…."

SECTION 17.1.(lll) G.S. 148-37.3(c) reads as rewritten:

"(c) Any private corporation described in subsection (a) of this section shall reimburse the State and any county or other law enforcement agency for the full cost of any additional expenses incurred by the State or the county or other law enforcement agency in connection with the pursuit and apprehension of an escaped inmate from the facility.

In the event of an escape from the facility, any private corporation described in subsection (a) of this section shall immediately notify the sheriff in the county in which the facility is located, who shall cause an immediate entry into the ~~State Bureau of Investigation Division of Criminal Information network.~~Department of Public Safety's Criminal Information Network. The sheriff of the county in which the facility is located shall be the lead law enforcement officer in connection with the pursuit and apprehension of an escaped inmate from the facility."

SECTION 17.1.(mmm) G.S. 153A-94.2 reads as rewritten:

"**§ 153A-94.2. Criminal history record checks of employees permitted.**

The board of commissioners may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~ Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-945. The local or regional public employer may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.1.(nnn) G.S. 160A-164.2 reads as rewritten:

"**§ 160A-164.2. Criminal history record check of employees permitted.**

The council may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of

State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-945. The city may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.1.(ooo) G.S. 164-44(a) reads as rewritten:

"(a) The Commission shall have the secondary duty of collecting, developing, and maintaining statistical data relating to sentencing, corrections, and juvenile justice so that the primary duties of the Commission will be formulated using data that is valid, accurate, and relevant to this State. All State agencies shall provide data as it is requested by the Commission. For the purposes of ~~G.S. 114-19.1,~~G.S. 143B-930, the Commission shall be considered to be engaged in the administration of criminal justice. All meetings of the Commission shall be open to the public and the information presented to the Commission shall be available to any State agency or member of the General Assembly."

SECTION 17.1.(ppp) Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-926. Appointment and term of the Director of the State Bureau of Investigation.**

(a) The Director of the State Bureau of Investigation shall be appointed by the Governor for a term of eight years subject to confirmation by the General Assembly by joint resolution. The term of office of the Director of the State Bureau of Investigation shall be for eight years; the first full term shall begin July 1, 2015. The name of the person to be appointed by the Governor shall be submitted by the Governor to the General Assembly for confirmation by the General Assembly on or before May 1 of the year in which the term for which the appointment is to be made expires. Upon failure of the Governor to submit a name as herein provided, the President Pro Tempore of the Senate and the Speaker of the House of Representatives jointly shall submit a name of an appointee to the General Assembly on or before May 15 of the same year. The appointment shall then be made by enactment of a bill. The bill shall state the name of the person being appointed, the office to which the appointment is being made, the effective date of the appointment, the date of expiration of the term, the residence of the appointee, and that the appointment is made upon the joint recommendation of the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Nothing precludes any member of the General Assembly from proposing an amendment to any bill making such an appointment. If there is no vacancy in the office of the Director of the State Bureau of Investigation, and a bill that would confirm the appointment of the person as Director fails a reading in either chamber of the General Assembly, then the Governor shall submit a new name within 30 days.

(b) The Director may be removed from office only by the Governor and solely for the grounds set forth in G.S. 143B-13(b), (c), and (d). In case of a vacancy in the office of the Director of the State Bureau of Investigation for any reason prior to the expiration of the Director's term of office, the name of the Director's successor shall be submitted by the Governor to the General Assembly not later than 60 days after the vacancy arises. If a vacancy arises in the office when the General Assembly is not in session, an acting Director shall be appointed by the Governor to serve pending confirmation by the General Assembly. However, in no event shall an acting Director serve (i) for more than 12 months without General Assembly confirmation or (ii) after a bill that would confirm the appointment of the person as Director fails a reading in either chamber of the General Assembly."

SECTION 17.1.(qqq) The Governor shall submit to the General Assembly the name of a person to be appointed pursuant to G.S. 143B-926 no later than May 1, 2015.

SECTION 17.1.(rrr) Notwithstanding anything in G.S. 143B-926, as enacted by subsection (ppp) of this section, to the contrary, no later than August 31, 2014, the Governor shall appoint an acting Director of the State Bureau of Investigation whose term shall be governed by the provisions of G.S. 143B-926(b) relating to the terms of acting Directors.

SECTION 17.1.(sss) Notwithstanding any other provision of law, there shall be no transfer of positions to or from the State Bureau of Investigation and no changes to the total authorized budget of the State Bureau of Investigation, as it existed on March 1, 2014, prior to the transfer of the State Bureau of Investigation to the Department of Public Safety. Under no circumstances shall funds be expended from Budget Code 23606 – Justice Seized and Forfeited Assets prior to the transfer of the State Bureau of Investigation to the Department of Public Safety, unless those expenditures were reported to the General Assembly on or before February 4, 2014. This subsection shall not apply to transfers of positions or changes to the total authorized budget of the State Bureau of Investigation that are expressly required by the Joint

Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Senate Bill 744 referred to in Section 38.2 of this act.

SECTION 17.1.(ttt) Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-927. Personnel of the State Bureau of Investigation.**

The Director of the State Bureau of Investigation may appoint a sufficient number of assistants who shall be competent and qualified to do the work of the Bureau. The Director shall be responsible for making all hiring and personnel decisions of the Bureau. Notwithstanding the provisions of this Chapter, Chapter 143A, and Chapter 143B of the General Statutes, the Director may hire or fire personnel and transfer personnel within the Bureau."

ALCOHOL LAW ENFORCEMENT SECTION TRANSFER

SECTION 17.1.(uuu) The Alcohol Law Enforcement Section shall be relocated as a branch under the State Bureau of Investigation.

SECTION 17.1.(vvv) Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-928. Alcohol Law Enforcement Branch to remain separate and discrete component of the State Bureau of Investigation.**

(a) Notwithstanding any overlap between the duties and jurisdiction of the Alcohol Law Enforcement Branch and the remainder of the State Bureau of Investigation, the Alcohol Law Enforcement Branch is a separate and discrete branch of the State Bureau of Investigation.

(b) Where the General Statutes confer narrower authority on the State Bureau of Investigation than on the Alcohol Law Enforcement Branch, the narrower authority shall not be construed to limit the authority of the Alcohol Law Enforcement Division."

SECTION 17.1.(www) G.S. 18B-500 reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The ~~Secretary of Public Safety~~Director of the State Bureau of Investigation shall appoint alcohol law-enforcement agents and other enforcement personnel. The ~~Secretary of Public Safety~~Director 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 ~~Section~~ Branch for workers' compensation purposes while performing duties assigned or approved by the ~~Director~~ Head of the Alcohol Law Enforcement ~~Section~~ Branch or the ~~Director's~~ Head'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 enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ~~ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law-enforcement duty assigned by the Secretary of Public Safety or the Governor.~~ABC and lottery laws.

…

(g) Shifting of Personnel From One District to Another. – The ~~Director~~ Head of the Alcohol Law Enforcement ~~Section,~~Branch, under rules adopted by the Department of Public Safety may, from time to time, shift the forces from one district to another or consolidate more than one district force at any point for special purposes. Whenever an agent of the Alcohol Law Enforcement Section is transferred from one district to another for the convenience of the State or for reasons other than the request of the agent, the Department shall be responsible for transporting the household goods, furniture, and personal apparel of the agent and members of the agent's household."

SECTION 17.1.(xxx) The following statutes are amended by deleting the word "Section" wherever it appears in uppercase and substituting "Branch": G.S. 18B-101(5), 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 19-2.1, 105-259(b)(15), and 143-652.1 through 143-658.

SECTION 17.1.(yyy) G.S. 143-651 reads as rewritten:

"**§ 143-651. Definitions.**

The following definitions apply in this Article:

…

(4a) Branch. – The Alcohol Law Enforcement Branch of the State Bureau of Investigation.

…

(23b) Sanctioned amateur match. – Any match regulated by an amateur sports organization that has been recognized and approved by the ~~Section.~~Branch.

…

~~(24a) Section. – The Alcohol Law Enforcement Section of the Department of Public Safety.~~

…."

SECTION 17.1.(zzz) G.S. 114-19(a), recodified as G.S. 143B-906(a) by subsection (k) of this act, reads as rewritten:

"(a) It shall be the duty of the State Bureau of Investigation to receive and collect ~~police~~ criminal information, to assist in locating, identifying, and keeping records of criminals in this State, and from other states, and to compare, classify, compile, publish, make available and disseminate any and all such information to the sheriffs, constables, police authorities, courts or any other officials of the State requiring such criminal identification, crime statistics and other information respecting crimes local and national, and to conduct surveys and studies for the purpose of determining so far as is possible the source of any criminal conspiracy, crime wave, movement or cooperative action on the part of the criminals, reporting such conditions, and to cooperate with all officials in detecting and preventing."

MISCELLANEOUS PROVISIONS

SECTION 17.1.(aaaa) The Department of Public Safety shall consolidate ALE and SBI Regions and Regional Offices. The Asheville Regional Office shall be operational by July 1, 2015. All other Regional Offices shall be operational by October 1, 2014.

SECTION 17.1.(bbbb) The Department of Public Safety shall make the following reports on progress implementing this section to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, to the chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the chairs of the House Appropriations Subcommittee on Justice and Public Safety:

(1) An interim report on or before January 1, 2015.

(2) A second interim report on or before April 1, 2015.

(3) A final report on or before October 1, 2015. This report may include any recommendations for changes to applicable statutes.

SECTION 17.1.(cccc) The Department of Public Safety may use nonrecurring funds available to the Division of Law Enforcement to meet the reductions required by this act for the 2014-2015 fiscal year. However, not later than March 1, 2015, the Department shall report to the Office of State Budget and Management and to the Fiscal Research Division on the recurring reductions the Department will make to meet the reductions required by this act for the 2015-2016 fiscal year. The Department of Public Safety and the State Bureau of Investigation shall coordinate purchases of law enforcement equipment and shall share resources to the extent feasible.

SECTION 17.1.(dddd) The Department of Public Safety may use funds available to the Division of Law Enforcement in the 2014-2015 fiscal year to create two sworn SBI agent positions and one non-sworn intelligence analyst position in the SBI's Computer Crimes Unit to investigate reports of Internet crimes against children.

SECTION 17.1.(eeee) G.S. 15A-150(c) reads as rewritten:

"(c) Notification to ~~SBI~~ DPS and FBI. – An arresting agency that receives a certified copy of an order under this section shall forward a copy of the order with the form supplied by the ~~State Bureau of Investigation~~Department of Public Safety to the ~~State Bureau of Investigation.~~Department of Public Safety. The ~~State Bureau of Investigation~~ Department of Public Safety shall forward the order to the Federal Bureau of Investigation."

SECTION 17.1.(ffff) If House Bill 1133, 2013 Regular Session, or substantially similar legislation, becomes law, then Section 27 of that act is repealed.

SECTION 17.1.(gggg) If House Bill 1133, 2013 Regular Session, or substantially similar legislation, becomes law, then G.S. 15A-150, as rewritten by subsection (eeee) of this section, reads as rewritten:

"**§ 15A-150. Notification requirements.**

…

(b) Notification to Other State and Local Agencies. – The clerk of superior court in each county in North Carolina shall send a certified copy of an order granting an expunction to a person named in subsection (a) of this section to all of the agencies listed in this subsection. An agency receiving an order under this subsection shall expunge from its records all entries made as a result of the charge or conviction ordered expunged, except as provided in G.S. 15A-151. The list of agencies is as follows:

(1) The sheriff, chief of police, or other arresting agency.
(2) When applicable, the Division of Motor Vehicles and the Division of Adult Correction of the Department of Public Safety.
(3) Any State or local agency identified by the petition as bearing record of the offense that has been expunged.
(4) The Department of Public Safety.

(c) Notification to ~~DPS and~~ FBI. – ~~An arresting agency that receives a certified copy of an order under this section shall forward a copy of the order with the form supplied by the Department of Public Safety to the Department of Public Safety.~~ The Department of Public Safety shall forward the order received under this section to the Federal Bureau of Investigation.

…."

SECTION 17.1.(hhhh) If House Bill 1133, 2013 Regular Session, or substantially similar legislation, becomes law, then subsection (gggg) of this act becomes effective December 1, 2014, and applies to petitions filed on or after that date. Subsection (sss) of this section is effective when it becomes law. The remainder of this section becomes effective July 1, 2014.

STUDY MERGER OF STATE CRIME LAB AND OFFICE OF THE STATE MEDICAL EXAMINER

SECTION 17.3. The Joint Legislative Oversight Committee on Justice and Public Safety and the Joint Legislative Oversight Committee on Health and Human Services shall jointly study merging the North Carolina State Crime Laboratory and the Office of the State Medical Examiner into a single independent State agency and shall report their findings and recommendations to the 2015 General Assembly. The study and report required by this section shall include at least the following:

(1) An examination of whether the quality or quantity of services provided by each agency would improve if the two agencies were merged into a single independent State agency.
(2) An analysis of potential cost-savings that might be realized as a result of the merger.
(3) Identification of potential obstacles to the merger.

ENSURE PROPER ROLE FOR ATTORNEY GENERAL

SECTION 17.3A.(a) G.S. 120-32.6 reads as rewritten:

"**§ 120-32.6. Certain employment authority.**

(a) Use of Private Counsel. – G.S. 114-2.3 and G.S. 147-17 (a) through (c) shall not apply to the General Assembly.

(b) General Assembly as Client of Attorney General by Operation of Law. – Whenever the validity or constitutionality of an act of the General Assembly or a provision of the Constitution of North Carolina is the subject of an action in any court, if the General Assembly hires outside counsel to represent the General Assembly in connection with that action, the General Assembly shall also be deemed to be a client of the Attorney General for purposes of that action as a matter of law. Nothing herein shall (i) impair or interfere with the rights of other named parties to appear in and to be represented by the Attorney General or outside counsel as authorized by law or (ii) impair the right of the Governor to employ counsel on behalf of the State pursuant to G.S. 147-17.

(c) General Assembly Counsel Shall Be Lead Counsel. – In those instances when the General Assembly employs counsel in addition to or other than the Attorney General, the Speaker of the House of Representatives and the President Pro Tempore of the Senate may jointly designate the counsel employed by the General Assembly as lead counsel for the General Assembly. The lead counsel so designated shall possess final decision-making authority with respect to the representation, counsel, or service for the General Assembly.

Other counsel for the General Assembly shall, consistent with the Rules of Professional Conduct, cooperate with such designated lead counsel.

(d) The rights provided by this section shall be supplemental to those provided by any other provision of law."

SECTION 17.3A.(b) G.S. 114-2 reads as rewritten:

"**§ 114-2. Duties.**

It shall be the duty of the Attorney General:

…

(2) To represent all State departments, agencies, institutions, commissions, bureaus or other organized activities of the State which receive support in whole or in part from the State. Where the Attorney General represents a State department, agency, institution, commission, bureau, or other organized activity of the State which receives support in whole or in part from the State, the Attorney General shall act in conformance with Rule 1.2 of the Rules of Professional Conduct of the North Carolina State Bar.

…."

SECTION 17.3A.(c) G.S. 114-2.2 reads as rewritten:

"**§ 114-2.2. ~~Attorney General to approve consent~~ Consent judgments.**

(a) To be effective against the State, a consent judgment entered into by the State, a State department, State agency, State institution, or a State officer who is a party in his official capacity must be signed personally by the Attorney General. This power of approval may not be delegated to a deputy or assistant Attorney General or to any other subordinate. This subsection shall not apply to consent judgments that name as a party a State department, agency, institution, or officer.

(a1) Where a dispute, claim, or controversy names as a party a State department, agency, or institution, or officer, a consent judgment shall be approved by the head of the department, agency, or institution, or by the State officer, before the judgment may be entered.

(b) The provisions of this section are supplemental to G.S. 114-2.1.

(c) Notwithstanding subsection (a) of this section, the Attorney General by rule may delegate to a deputy or assistant Attorney General or to another subordinate the power to sign consent judgments in condemnation or eminent domain actions brought under the provisions of Chapters 40A or 136 of the General Statutes and consent judgments under the provision of Article 31 of Chapter 143 (Tort Claims Act) and Chapter 97 (Workers' Compensation Act) of the General Statutes."

SECTION 17.3A.(d) G.S. 114-2.4 reads as rewritten:

"**§ 114-2.4. ~~Attorney General to render opinion on settlement~~Settlement agreements.**

(a) The Attorney General shall review the terms of all proposed agreements entered into by the State or a State department, agency, institution, or officer to settle or resolve litigation or potential litigation, that involves the payment of public monies in the sum of seventy-five thousand dollars ($75,000) or more. In order for such an agreement or contract to be effective against the State, the Attorney General shall submit to the State or the State department, agency, institution, or officer a written opinion regarding the terms of the proposed agreement and the advisability of entering into the agreement, prior to entering into the agreement. The written opinion required by this section shall be maintained in the official file of the final settlement agreement. The Attorney General by rule may delegate to a deputy or assistant Attorney General or to another subordinate the authority to ~~approve~~ review settlement agreements.

(b) Where a dispute, claim, or controversy names as a party a State department, agency, or institution, or officer, a proposed settlement agreement or other agreement that would dispose of the dispute, claim, or controversy shall be approved by the head of the department, agency, or institution, or by the State officer, before the agreement may be entered.

~~(b)~~(c) The Attorney General shall report to the Joint Legislative Commission on Governmental Operations on all agreements entered into by the State or a State department, agency, institution, or officer to settle or resolve litigation or potential litigation, that involves the payment of public monies in the sum of seventy-five thousand dollars ($75,000) or more."

SECTION 17.3A.(e) This section is effective when it becomes law.

TRANSFER PRIVATE PROTECTIVE SERVICES BOARD AND ALARM SYSTEMS LICENSING BOARD TO THE DEPARTMENT OF PUBLIC SAFETY

SECTION 17.5.(a) The Private Protective Services Board and the Alarm Systems Licensing Board are hereby transferred to the Department of Public Safety. These transfers shall have all of the elements of a Type II transfer, as described in G.S. 143A-6.

SECTION 17.5.(b) The following statutes are amended by deleting "Attorney General" wherever it appears and substituting "Secretary of Public Safety": G.S. 74C-6, 74C-7, and 74C-13.

SECTION 17.5.(c) G.S. 74C-4 reads as rewritten:

"**§ 74C-4. Private Protective Services Board established; members; terms; vacancies; compensation; meetings.**

(a) The Private Protective Services Board is hereby established in the ~~Department of Justice~~ Department of Public Safety to administer the licensing and set educational and training requirements for persons, firms, associations, and corporations engaged in a private protective services profession within this State.

(b) The Board shall consist of 14 members: ~~the Attorney General or his~~ the Secretary of Public Safety or the Secretary's designated representative, ~~two persons appointed by the Attorney General, one person~~ three persons appointed by the Governor, five persons appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, and five persons appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. All appointments by the General Assembly shall be subject to the provisions of G.S. 120-121, and vacancies in the positions filled by those appointments shall be filled pursuant to G.S. 120-122. One of those persons appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate and all five persons appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives shall be licensees under this Chapter; all other appointees may not be licensees of the Board nor licensed by the Board while serving as Board members. All persons appointed shall serve terms of three years. With the exception of the ~~Attorney General or his~~ Secretary of Public Safety or the Secretary's designated representative, no person shall serve more than eight consecutive years on the ~~Board, including years of service prior and subsequent to July 1, 1983.~~ Board. Board members may continue to serve until their successors have been appointed.

…."

SECTION 17.5.(d) G.S. 74C-6, as rewritten by subsection (b) of this section, reads as rewritten:

"**§ 74C-6. Position of Director created.**

The position of Director of the Private Protective Services Board is hereby created within the ~~Department of Justice.~~ Department of Public Safety. The Secretary of Public Safety shall appoint a person to fill this full-time position. The Director's duties shall be to administer the directives contained in this Chapter and the rules promulgated by the Board to implement this Chapter and to carry out the administrative duties incident to the functioning of the Board in order to actively police the private protective services industry to ensure compliance with the law in all aspects."

SECTION 17.5.(e) G.S. 74D-4(b) reads as rewritten:

"(b) The Board shall consist of seven members: the ~~Attorney General~~ Secretary of Public Safety or his designee; two persons appointed by the Governor, one of whom shall be licensed under this Chapter and one of whom shall be a public member; two persons appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, one of whom shall be licensed under this Chapter and one of whom shall be a public member; and two persons appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, one of whom shall be licensed under this Chapter and one of whom shall be a public member."

SECTION 17.5.(f) G.S. 74D-5.1 reads as rewritten:

"**§ 74D-5.1. Position of Director created.**

The position of Director of the Alarm Systems Licensing Board is hereby created within the Department of ~~Justice.~~ Public Safety. The ~~Attorney General~~ Secretary of Public Safety shall appoint a person to fill this full-time position. The Director's duties shall be to administer the directives contained in this Chapter and the rules promulgated by the Board to implement this Chapter and to carry out the administrative duties incident to the functioning of the Board in order to actively police the alarm systems industry to insure compliance with the law in all

aspects. The Director may issue a temporary grant or denial of a request for registration subject to final action by the Board at its next regularly scheduled meeting."

SECTION 17.5.(g) G.S. 74D-5.2 reads as rewritten:

"**§ 74D-5.2. Investigative powers of the ~~Attorney General.~~Secretary of Public Safety.**

The ~~Attorney General for the State of North Carolina~~ Secretary of Public Safety shall have the power to investigate or cause to be investigated any complaints, allegations, or suspicions of wrongdoing or violations of this Chapter involving individuals licensed, or to be licensed, under this Chapter. Any investigation conducted pursuant to this section is deemed confidential and is not subject to review under G.S. 132-1 until the investigation is complete and a report is presented to the Board. However, the report may be released to the licensee after the investigation is complete but before the report is presented to the Board."

MANAGEMENT FLEXIBILITY REDUCTION

SECTION 17.6.(a) Funds appropriated or allocated to the North Carolina State Crime Laboratory shall not be reduced in order to meet any portion of the management flexibility reduction set forth in this act.

SECTION 17.6.(b) No later than October 1, 2014, the Department of Justice shall report to the Fiscal Research Division on the reductions that were made to meet the management flexibility reduction to the Department of Justice set forth in this act. The report shall include an itemized list of any position eliminations, including the position numbers, titles, and budgeted salaries of each eliminated position.

MISCELLANEOUS PROVISIONS RELATED TO STATE CRIME LABORATORY PERSONNEL

SECTION 17.7.(a) Notwithstanding any other provision of law, positions in the North Carolina State Crime Laboratory that are created or authorized to be created by this act may be posted and advertised prior to the effective date of the positions' creation.

SECTION 17.7.(b) G.S. 114-63 reads as rewritten:

"**§ 114-63. Transfer of personnel.**

The Director of the North Carolina State Crime Laboratory shall have authority to transfer employees of the Crime Laboratory from one Crime Laboratory location in the State to ~~another~~ another, or between Sections of the Laboratory, as the Director may deem necessary. When any member of the Crime Laboratory is transferred from one location to another for the convenience of the Crime Laboratory, or otherwise than upon the request of the employee, the Crime Laboratory shall be responsible for transporting the household goods, furniture, and personal effects of the employee and members of his or her household."

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES

INDIGENT DEFENSE SERVICES FEE TRANSPARENCY

SECTION 18A.1. The Office of Indigent Defense Services, in consultation and cooperation with the Office of the State Controller and the Office of State Budget and Management, shall develop and implement a plan for making certain information contained in fee applications by attorneys publicly available online. The plan shall provide for online access to the following information with respect to each fee application filed: the name of the attorney filing the application, the case number and the county, the class of the highest charge against the defendant, an indication as to whether there are multiple charges against the defendant, the judge who approved the fee application, the amount paid to the attorney through the application, and the date of that payment. In the case of fee applications that cover work paid by the session rather than by the case, the plan shall provide for identification of those applications by session. The plan shall require (i) the information to be updated at least biweekly, (ii) the information to be searchable, and (iii) all information regarding capital cases to be clearly labeled as such. The Office of Indigent Defense Services shall report on its progress in developing this plan to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by October 1, 2014.

Nothing in this section shall be construed to require the disclosure of information otherwise protected as confidential under State or federal law.

FINAL REPORT ON CRIMINAL CASE INFORMATION SYSTEM

SECTION 18A.2. Section 18B.10 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.10.** The Administrative Office of the Courts, in consultation with the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Administrative Office of the Courts for the 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to develop or acquire and to implement a component of the Department's criminal case information system for use by public defenders no later than February 1, 2015. The Administrative Office of the Courts shall make an interim report on the development and implementation of this system by February 1, 2014, and a final report on the completed implementation of the system by ~~March 1, 2015.~~July 1, 2015, to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety."

SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS

AMEND VARIOUS PROVISIONS REQUIRING REPORTS ON THE OPERATIONS OF THE COURTS

SECTION 18B.1.(a) G.S. 7A-343 reads as rewritten:

"**§ 7A-343. Duties of Director.**

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

…

(8) Prepare and submit an annual report on the work of the Judicial Department to the Chief Justice, and transmit a copy to ~~each member of the General Assembly. The annual report shall include the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases, the average age of pending cases, and the annual expenditures for the prior fiscal year.~~the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

…."

SECTION 18B.1.(b) G.S. 7A-343.2 reads as rewritten:

"**§ 7A-343.2. Court Information Technology Fund.**

(a) Fund. – The Court Information Technology Fund is established within the Judicial Department as a special revenue fund. Interest and other investment income earned by the Fund accrues to it. The Fund consists of the following revenues:

(1) All monies collected by the Director pursuant to G.S. 7A-109(d) and G.S. 7A-49.5.

(2) State judicial facilities fees credited to the Fund under G.S. 7A-304 through G.S. 7A-307.

(b) Use. – Money in the Fund derived from State judicial facilities fees must be used to upgrade, maintain, and operate the judicial and county courthouse phone systems. All other monies in the Fund must be used to supplement funds otherwise available to the Judicial Department for court information technology and office automation needs.

(c) Report. – The Director must report annually by August 1 ~~and February 1~~ of each year to the ~~Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House Appropriations Committees, and the~~ Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety. The report must include the following:

(1) Amounts credited in the preceding ~~six months~~ fiscal year to the Fund.

(2) Amounts expended in the preceding ~~six months~~ fiscal year from the Fund and the purposes of the expenditures.

(3) Proposed expenditures of the monies in the Fund."

SECTION 18B.1.(c) G.S. 7A-809 reads as rewritten:

"**§ 7A-809. Reports.**

The Conference of Clerks of Superior Court shall, in consultation with the registers of deeds, annually study the status of the individual counties and judicial districts as to whether or not the clerks of superior court or the registers of deeds are implementing G.S. 132-1.10(f1) and report results of the study to the ~~Joint Legislative Commission on Governmental Operations~~Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

SECTION 18B.1.(d) Section 15.4 of S.L. 2009-451 is repealed.

SECTION 18B.1.(e) Article 7 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-45.5. Annual report on Business Court activities.**

The Administrative Office of the Courts shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1 of each year on the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases, average age of pending cases, and annual expenditures for the prior fiscal year."

SECTION 18B.1.(f) G.S. 15A-1475 reads as rewritten:

"**§ 15A-1475. Reports.**

~~Beginning January 1, 2008, and annually thereafter, the~~ The North Carolina Innocence Inquiry Commission shall report annually by February 1 of each year on its activities to the Joint Legislative Oversight Committee on Justice and Public Safety and the State Judicial Council. The report may contain recommendations of any needed legislative changes related to the activities of the Commission. The report shall recommend the funding needed by the Commission, the district attorneys, and the State Bureau of Investigation in order to meet their responsibilities under S.L. 2006-184. Recommendations concerning the district attorneys or the State Bureau of Investigation shall only be made after consultations with the North Carolina Conference of District Attorneys and the Attorney General."

SECTION 18B.1.(g) G.S. 7A-38.6 is repealed.

SECTION 18B.1.(h) G.S. 7A-409.1(g) reads as rewritten:

"(g) The State Judicial Council shall report annually to the ~~General Assembly~~ Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety, to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and to the Chief Justice ~~no later than December 31, 2009, and~~ no later than December 31 ~~of every third year,~~ regarding the ~~implementation of S.L. 2006-184~~ work of the North Carolina Innocence Inquiry Commission and shall include in its report the statistics regarding inquiries and any recommendations for changes. The House of Representatives and the Senate shall refer the report of the State Judicial Council to the Joint Legislative Oversight Committee on Justice and Public Safety and such other committees as the Speaker of the House of Representatives or the President Pro Tempore of the Senate shall deem appropriate, for their review."

SECTION 18B.1.(i) Section 18A.1 of S.L. 2013-360 is repealed.

SECTION 18B.1.(j) Article 39B of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-498.9. Annual report on Office of Indigent Defense Services.**

The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety by February 1 of each year on the following:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense services, including the capital case program;

(3) Plans for changes in rules, standards, or regulations in the upcoming year; and

(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices."

SECTION 18B.1.(k) Section 18A.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 18A.4.** The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all classes of legal cases for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the ~~Joint Legislative Commission on Governmental Operations by October 1, 2013.~~ Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1 of each year. In cases where the proposed contract can provide representation services more efficiently than current costs and ensure that the quality of representation is sufficient to meet applicable constitutional and statutory standards, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent Defense Services shall consider the cost-effectiveness of the proposed contract. Disputes regarding the ability of the potential contractor to provide effective representation for clients served by the contract shall be determined by the senior resident superior court judge for the district."

ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS

SECTION 18B.2. Section 15.10(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 15.10.(b)** The Administrative Office of the Courts shall make the necessary modifications to its information systems to maintain records of all cases in which the judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the ~~Joint Legislative Commission on Governmental Operations by October 1~~ Chairs of the Senate Appropriations Committee on Justice and Public Safety, the Chairs of the House Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year. The report shall aggregate the waivers by the district in which the waiver or waivers were granted and by the name of each judge granting a waiver or waivers."

COMPENSATION OF COURT REPORTERS

SECTION 18B.3. Section 18B.21 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.21.** The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study the most effective and efficient deployment of court reporters to produce timely records of court proceedings and the most appropriate and effective compensation for court reporters. The Administrative Office of the Courts shall make an interim report of its findings and recommendations to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by ~~February 1, 2014.~~ February 1, 2014, and a final report of its findings and recommendations by January 1, 2015."

FAMILY COURT PROGRAMS

SECTION 18B.4. Section 18B.6 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.6.** The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety by ~~March 1, 2014.~~March 1 of each year."

TRAINING FOR SUPERIOR AND DISTRICT COURT JUDGES

SECTION 18B.5. The School of Government at the University of North Carolina at Chapel Hill, in cooperation with the Administrative Office of the Courts, the North Carolina Association of District Court Judges, the North Carolina Conference of Superior Court Judges, and the State Crime Laboratory, shall ensure that the continuing judicial education programs coordinated by the School of Government incorporate content related to the proper custody and handling of biological evidence, including relevant information about the work of the State Crime Laboratory. The topic shall be addressed in continuing legal education programs for superior and district court judges on a regular basis.

ABOLISH FOUR SPECIAL SUPERIOR COURT JUDGESHIPS/PROVIDE FOR TWO ADDITIONAL BUSINESS COURT JUDGES/PROCEDURE FOR NOMINATION AND CONFIRMATION OF SPECIAL SUPERIOR COURT JUDGES

SECTION 18B.6. G.S. 7A-45.1 is amended by adding three new subsections to read:

"(a8) Notwithstanding any other provision of this section, the four special superior court judgeships held as of April 1, 2014, by judges whose terms expire on April 29, 2015, October 20, 2015, and December 31, 2017, are abolished when any of the following first occurs:

(1) Retirement of the incumbent judge.
(2) Resignation of the incumbent judge.
(3) Removal from office of the incumbent judge.
(4) Death of the incumbent judge.
(5) Expiration of the term of the incumbent judge.

(a9) Effective upon the retirement, resignation, removal from office, death, or expiration of the term of the special superior court judge held as of April 1, 2014, by the judge whose term expires on April 29, 2015, a new special superior court judgeship shall be created and filled through the procedure for nomination and confirmation provided for in subsection (a10) of this section. Effective upon the retirement, resignation, removal from office, death, or expiration of the term of the special superior court judge held as of April 1, 2014, by the judge whose term expires on October 20, 2015, a new special superior court judgeship shall be created and filled through the procedure for nomination and confirmation provided for in subsection (a10) of this section.

Prior to submitting a nominee for the judgeships created under this subsection to the General Assembly for confirmation, the Governor shall consult with the Chief Justice to ensure that the persons nominated to fill these two judgeships have the requisite expertise and experience to be designated by the Chief Justice as business court judges under G.S. 7A-45.3, and the Chief Justice is requested to designate those two judges as business court judges.

(a10) Except for the judgeships abolished pursuant to subsection (a8) of this section, upon the retirement, resignation, removal from office, death, or expiration of the term of any special superior court judge on or after September 1, 2014, each judgeship shall be filled for a full five-year term beginning upon the judge's taking office according to the following procedure prescribed by the General Assembly pursuant to Article IV, Section 9(1) of the North Carolina Constitution. As each judgeship becomes vacant or the term expires, the Governor shall submit the name of a nominee for that judgeship to the General Assembly for confirmation by ratified joint resolution. Upon each such confirmation, the Governor shall appoint the confirmed nominee to that judgeship.

However, upon the failure of the Governor to submit the name of a nominee within 90 days of the occurrence of the vacancy or within 90 days of the expiration of the judge's term, as applicable, the President Pro Tempore of the Senate and the Speaker of the House of Representatives jointly shall submit the name of a nominee to the General Assembly. The appointment shall then be made by enactment of a bill. The bill shall state the name of the person being appointed, the office to which the appointment is being made, and the county of residence of the appointee.

The Governor may withdraw any nomination prior to it failing on any reading, and in case of such withdrawal the Governor shall submit a different nomination within 45 days of withdrawal. If a nomination shall fail any reading, the Governor shall submit a different nomination within 45 days of such failure. In either case of failure to submit a new nomination within 45 days, the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall submit the name of a nominee to the General Assembly under the procedure provided in the preceding paragraph.

No person shall occupy a special superior court judgeship authorized under this subsection in any capacity, or have any right to, claim upon, or powers of those judgeships, unless that person's nomination has been confirmed by the General Assembly by joint resolution or appointed through the enactment of a bill upon the failure of the Governor to submit a nominee. Until confirmed by the General Assembly and appointed by the Governor, or appointed by the General Assembly upon the failure of the Governor to appoint a nominee, and qualified by taking the oath of office, a nominee is neither a de jure nor a de facto officer."

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18B.7.(a) G.S. 7A-60(a2) reads as rewritten:

"**§ 7A-60. District attorneys and prosecutorial districts.**

(a2) Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the Administrative Office of the Courts shall report 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 allocated to each prosecutorial district and the ~~caseload and criteria~~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 on Justice and Public, and the Fiscal Research Division.

…."

SECTION 18B.7.(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 after consulting the workload formula established through the National Center for State Courts, to be appointed by the district attorney, to serve at ~~his~~ 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. ~~He~~ The district attorney shall devote ~~his~~ full time to the duties of ~~his~~ the office and shall not engage in the private practice of law during his or her term."

MAINTAIN TRIAL COURT ADMINISTRATOR

SECTION 18B.13. The Administrative Office of the Courts shall maintain the trial court administrator position serving Superior Court Districts 7B and 7C and ensure that the position remains filled during the 2014-2015 fiscal year.

AUTHORIZE THE COURT TO ASSESS A FEE FOR THE COSTS OF THE SERVICES OF A PRIVATE HOSPITAL PERFORMING TOXICOLOGICAL TESTING FOR A PROSECUTORIAL DISTRICT

SECTION 18B.14.(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), ~~or (12)~~ (12), or (13) of this section.

…

(7) 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 for support of the Laboratory. 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 DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled

substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent.

(8) 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 governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only 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 (7) of this subsection.

(8a) For the services of any private hospital performing toxicological testing under contract with a prosecutorial district, 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 State Treasurer for the support of the General Court of Justice. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed testing of bodily fluids of the defendant for the presence of alcohol or controlled substances. The costs shall be assessed only if the court finds that the work performed by the local hospital is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (7) 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. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) of this subsection.

(12) For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for local law enforcement. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) of this subsection.

(13) For the services of an expert witness employed by a private hospital performing toxicological testing under contract with a prosecutorial district who completes a chemical analysis pursuant to G.S. 20-139.1 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the State Treasurer for the support of the General Court of Justice. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical

analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8a) of this subsection."

SECTION 18B.14.(b) This section becomes effective December 1, 2014, and applies to fees assessed or collected on or after that date.

THREE-JUDGE PANEL TO RULE ON CLAIMS THAT AN ACT OF THE GENERAL ASSEMBLY IS FACIALLY INVALID ON THE BASIS THAT THE ACT VIOLATES THE NORTH CAROLINA CONSTITUTION OR FEDERAL LAW

SECTION 18B.16.(a) Article 26A of Chapter 1 of the General Statutes reads as rewritten:

"Article 26A.

"Three-Judge Panel for Redistricting ~~Challenges.~~Challenges and for Certain Challenges to State Laws.

"**§ 1-267.1. Three-judge panel for actions challenging plans apportioning or redistricting State legislative or congressional ~~districts.~~districts; claims challenging the facial validity of an act of the General Assembly.**

(a) Any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts shall be filed in the Superior Court of Wake County and shall be heard and determined by a three-judge panel of the Superior Court of Wake County organized as provided by subsection (b) of this section.

(a1) Except as otherwise provided in subsection (a) of this section, any facial challenge to the validity of an act of the General Assembly shall be transferred pursuant to G.S. 1A-1, Rule 42(b)(4), to the Superior Court of Wake County and shall be heard and determined by a three-judge panel of the Superior Court of Wake County, organized as provided by subsection (b2) of this section.

(b) Whenever any person files in the Superior Court of Wake County any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts, a copy of the complaint shall be served upon the senior resident superior court judge of Wake County, who shall be the presiding judge of the three-judge panel required by subsection (a) of this section. Upon receipt of that complaint, the senior resident superior court judge of Wake County shall notify the Chief Justice, who shall appoint two additional resident superior court judges to the three-judge panel of the Superior Court of Wake County to hear and determine the action. Before making those appointments, the Chief Justice shall consult with the North Carolina Conference of Superior Court Judges, which shall provide the Chief Justice with a list of recommended appointments. To ensure that members of the three-judge panel are drawn from different regions of the State, the Chief Justice shall appoint to the three-judge panel one resident superior court judge from the First through Fourth Judicial Divisions and one resident superior court judge from the Fifth through Eighth Judicial Divisions. In order to ensure fairness, to avoid the appearance of impropriety, and to avoid political bias, no member of the panel, including the senior resident superior court judge of Wake County, may be a former member of the General Assembly. Should the senior resident superior court judge of Wake County be disqualified or otherwise unable to serve on the three-judge panel, the Chief Justice shall appoint another resident superior court judge of Wake County as the presiding judge of the three-judge panel. Should any other member of the three-judge panel be disqualified or otherwise unable to serve on the three-judge panel, the Chief Justice shall appoint as a replacement another resident superior court judge from the same group of judicial divisions as the resident superior court judge being replaced.

(b1) Any facial challenge to the validity of an act of the General Assembly filed in the Superior Court of Wake County, other than a challenge to plans apportioning or redistricting State legislative or congressional districts that shall be heard pursuant to subsection (b) of this section, or any claim transferred to the Superior Court of Wake County pursuant to subsection (a1) of this section, shall be assigned by the senior resident Superior Court Judge of Wake County to a three-judge panel established pursuant to subsection (b2) of this section.

(b2) For each challenge to the validity of statutes and acts subject to subsection (a1) of this section, the Chief Justice of the Supreme Court shall appoint three resident superior court judges to a three-judge panel of the Superior Court of Wake County to hear the challenge. The Chief Justice shall appoint a presiding judge of each three-judge panel. To ensure that members of each three-judge panel are drawn from different regions of the State, the Chief Justice shall appoint to each three-judge panel one resident superior court judge from the First, Second, or

Fourth Judicial Division, one resident superior court judge from the Seventh or Eighth Judicial Division, and one resident superior court judge from the Third, Fifth, or Sixth Judicial Division. Should any member of a three-judge panel be disqualified or otherwise unable to serve on the three-judge panel or be removed from the panel at the discretion of the Chief Justice, the Chief Justice shall appoint as a replacement another resident superior court judge from the same group of judicial divisions as the resident superior court judge being replaced.

(c) No order or judgment shall be entered affecting the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional ~~districts~~ districts, or finds that an act of the General Assembly is facially invalid on the basis that the act violates the North Carolina Constitution or federal law, except by ~~the~~ a three-judge panel of the Superior Court of Wake County organized as provided by subsection (b) or subsection (b2) of this section. In the event of disagreement among the three resident superior court judges comprising ~~the~~ a three-judge panel, then the opinion of the majority shall prevail.

(d) This section applies only to civil proceedings. Nothing in this section shall be deemed to apply to criminal proceedings, to proceedings under Chapter 15A of the General Statutes, to proceedings making a collateral attack on any judgment entered in a criminal proceeding, or to appeals from orders of the trial courts pertaining to civil proceedings filed by a taxpayer pursuant to G.S. 105-241.17."

SECTION 18B.16.(b) G.S. 1-81.1 reads as rewritten:

"**§ 1-81.1. Venue in apportionment or redistricting ~~cases.~~cases; certain injunctive relief actions.**

(a) Venue lies exclusively with the Wake County Superior Court in any action concerning any act of the General Assembly apportioning or redistricting State legislative or congressional ~~districts lies exclusively with the Wake County Superior Court.~~districts.

(a1) Venue lies exclusively with the Wake County Superior Court with regard to any claim seeking an order or judgment of a court, either final or interlocutory, to restrain the enforcement, operation, or execution of an act of the General Assembly, in whole or in part, based upon an allegation that the act of the General Assembly is facially invalid on the basis that the act violates the North Carolina Constitution or federal law. Pursuant to G.S. 1-267.1(a1) and G.S. 1-1A, Rule 42(b)(4), claims described in this subsection that are filed or raised in courts other than Wake County Superior Court or that are filed in Wake County Superior Court shall be transferred to a three-judge panel of the Wake County Superior Court if, after all other questions of law in the action have been resolved, a determination as to the facial validity of an act of the General Assembly must be made in order to completely resolve any issues in the case.

(b) Any action brought concerning an act of the General Assembly apportioning or redistricting the State legislative or congressional districts shall be filed in the Superior Court of Wake County."

SECTION 18B.16.(c) G.S. 1A-1, Rule 42, reads as rewritten:

"**Rule 42. Consolidation; separate trials.**

(a) Consolidation. – Except as provided in subdivision (b)(2) of this section, when actions involving a common question of law or fact are pending in one division of the court, the judge may order a joint hearing or trial of any or all the matters in issue in the actions; he may order all the actions consolidated; and he may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay. When actions involving a common question of law or fact are pending in both the superior and the district court of the same county, a judge of the superior court in which the action is pending may order all the actions consolidated, and he may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

(b) Separate trials. –

(1) The court may in furtherance of convenience or to avoid prejudice and shall for considerations of venue upon timely motion order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues.

(2) Upon motion of any party in an action that includes a claim commenced under Article 1G of Chapter 90 of the General Statutes involving a managed care entity as defined in G.S. 90-21.50, the court shall order separate

discovery and a separate trial of any claim, cross-claim, counterclaim, or third-party claim against a physician or other medical provider.

(3) Upon motion of any party in an action in tort wherein the plaintiff seeks damages exceeding one hundred fifty thousand dollars ($150,000), the court shall order separate trials for the issue of liability and the issue of damages, unless the court for good cause shown orders a single trial. Evidence relating solely to compensatory damages shall not be admissible until the trier of fact has determined that the defendant is liable. The same trier of fact that tries the issues relating to liability shall try the issues relating to damages.

(4) Pursuant to G.S. 1-267.1, any facial challenge to the validity of an act of the General Assembly, other than a challenge to plans apportioning or redistricting State legislative or congressional districts, shall be heard by a three-judge panel in the Superior Court of Wake County if a claimant raises such a challenge in the claimant's complaint or amended complaint in any court in this State, or if such a challenge is raised by the defendant in the defendant's answer, responsive pleading, or within 30 days of filing the defendant's answer or responsive pleading. In that event, the court shall, on its own motion, transfer that portion of the action challenging the validity of the act of the General Assembly to the Superior Court of Wake County for resolution by a three-judge panel if, after all other matters in the action have been resolved, a determination as to the facial validity of an act of the General Assembly must be made in order to completely resolve any matters in the case. The court in which the action originated shall maintain jurisdiction over all matters other than the challenge to the act's facial validity and shall stay all matters that are contingent upon the outcome of the challenge to the act's facial validity pending a ruling on that challenge and until all appeal rights are exhausted. Once the three-judge panel has ruled and all appeal rights have been exhausted, the matter shall be transferred or remanded to the three-judge panel or the trial court in which the action originated for resolution of any outstanding matters, as appropriate."

SECTION 18B.16.(d) G.S. 1A-1, Rule 62, reads as rewritten:

"**Rule 62. Stay of proceedings to enforce a judgment.**

(a) Automatic stay; exceptions – Injunctions and receiverships. – Except as otherwise stated herein, no execution shall issue upon a judgment nor shall proceedings be taken for its enforcement until the expiration of the time provided in the controlling statute or rule of appellate procedure for giving notice of appeal from the judgment. Unless otherwise ordered by the court, an interlocutory or final judgment in an action for an injunction or in a receivership action shall not be stayed during the period after its entry and until an appeal is taken or during the pendency of an appeal. The provisions of section (c) govern the suspending, modifying, restoring, or granting of an injunction during the pendency of an appeal.

(b) Stay on motion for new trial or for judgment. – In its discretion and on such conditions for the security of the adverse party as are proper, the court may stay the execution of or any proceedings to enforce a judgment pending the disposition of a motion for a new trial or to alter or amend a judgment made pursuant to Rule 59, or of a motion for relief from a judgment or order made pursuant to Rule 60, or of a motion for judgment made pursuant to Rule 50, or of a motion for amendment to the findings or for additional findings made pursuant to Rule 52(b). If the time provided in the controlling statute or rule of appellate procedure for giving notice of appeal from the judgment had not expired before a stay under this subsection was entered, that time shall begin to run immediately upon the expiration of any stay under this section, and no execution shall issue nor shall proceedings be taken for enforcement of the judgment until the expiration of that time.

(c) Injunction pending appeal. – When an appeal is taken from an interlocutory or final judgment granting, dissolving, or denying an injunction, the court in its discretion may suspend, modify, restore, or grant an injunction during the pendency of the appeal upon such terms as to bond or otherwise as it considers proper for the security of the rights of the adverse party.

(d) Stay upon appeal. – When an appeal is taken, the appellant may obtain a stay of execution, subject to the exceptions contained in section (a), by proceeding in accordance with

and subject to the conditions of G.S. 1-289, G.S. 1-290, G.S. 1-291, G.S. 1-292, G.S. 1-293, G.S. 1-294, and G.S. 1-295.

When stay is had by giving supersedeas bond, the bond may be given at or after the time of filing the notice of appeal or of procuring the order allowing the appeal as the case may be, and stay is then effective when the supersedeas bond is approved by the court.

(e) Stay in favor of North Carolina, city, county, local board of education, or agency thereof. – When an appeal is taken by the State of North Carolina, or a city or a county thereof, a local board of education, or an officer in his official capacity or agency thereof or by direction of any department or agency of the State of North Carolina or a city or county thereof or a local board of education and the operation or enforcement of the judgment is stayed, no bond, obligation, or other security shall be required from the appellant.

(f) Power of appellate court not limited. – The provisions of this rule do not limit any power of an appellate court or of a judge or justice thereof to stay proceedings during the pendency of an appeal or to suspend, modify, restore, or grant an injunction during the pendency of an appeal or to make any order appropriate to preserve the status quo or the effectiveness of the judgment subsequently to be entered.

(g) Stay of judgment as to multiple claims or multiple parties. – When a court has ordered a final judgment under the conditions stated in Rule 54(b), the court may stay enforcement of that judgment until the entering of a subsequent judgment or judgments and may prescribe such conditions as are necessary to secure the benefit thereof to the party in whose favor the judgment is entered.

(h) Right to immediate interlocutory appeal of order granting or denying injunctive relief in as-applied constitutional challenge. – Notwithstanding any other provision of law, a party shall have the right of immediate appeal (i) from an adverse ruling by a trial court granting or denying interlocutory, temporary, or permanent injunctive or declaratory relief restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly as applied against a party in a civil action or (ii) from an adverse ruling by a trial court denying a motion to stay an injunction restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly as applied against a party in a civil action. This subsection only applies where the State or a political subdivision of the State is a party in the civil action. This subsection does not apply to facial challenges heard by a three-judge panel pursuant to G.S. 1-267.1."

SECTION 18B.16.(e) G.S. 7A-27 reads as rewritten:

"**§ 7A-27. Appeals of right from the courts of the trial divisions.**

…

(a1) Appeal lies of right directly to the Supreme Court from any order or judgment of a court, either final or interlocutory, that holds that an act of the General Assembly is facially invalid on the basis that the act violates the North Carolina Constitution or federal law. Nothing in this section shall be deemed to apply to appeals from orders of the trial courts pertaining to criminal proceedings, to proceedings under Chapter 15A of the General Statutes, to proceedings making a collateral attack on any judgment entered in a criminal proceeding, or to appeals from orders of the trial courts pertaining to civil proceedings filed by a taxpayer pursuant to G.S. 105-241.17.

(b) Appeal lies of right directly to the Court of Appeals in any of the following cases:

(1) From any final judgment of a superior court, other than the one described in subsection (a) of this section, or one based on a plea of guilty or nolo contendere, including any final judgment entered upon review of a decision of an administrative agency, except for a final judgment entered upon review of a court martial under G.S. 127A-62.

(2) From any final judgment of a district court in a civil action.

(3) From any interlocutory order or judgment of a superior court or district court in a civil action or proceeding which does any of the following:

a. Affects a substantial right.

b. In effect determines the action and prevents a judgment from which an appeal might be taken.

c. Discontinues the action.

d. Grants or refuses a new trial.

e. Determines a claim prosecuted under G.S. 50-19.1.

f. Grants temporary injunctive relief restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly as applied against a party in a civil action. This subsection only applies where the State or a political subdivision of the State is a party in the civil action. This subsection does not apply to facial challenges to an act's validity heard by a three-judge panel pursuant to G.S. 1-267.1.

(4) From any other order or judgment of the superior court from which an appeal is authorized by statute."

SECTION 18B.16.(f) G.S. 1-267.1(b2), as enacted in subsection (a) of this section, becomes effective September 1, 2014. The remainder of this section is effective when it becomes law and applies to any claim filed on or after that date or asserted in an amended pleading on or after that date that asserts that an act of the General Assembly is either facially invalid or invalid as applied to a set of factual circumstances on the basis that the act violates the North Carolina Constitution or federal law.

LEGAL AID REPORT

SECTION 18B.17. As a condition of continued receipt of funding through revenue from court fees, Legal Aid of North Carolina shall report quarterly beginning October 1, 2014, to the Chairs of the House of Representatives and Senate Appropriations Committees and the Fiscal Research Division. The report shall include the cases in the public record in which Legal Aid has appeared as counsel, including a description of the type of case and its ongoing status. The report shall also provide sufficiently detailed information about the focus of investigations and the ways in which resources are being expended, to the extent permissible under the law, to demonstrate that funds provided under the Access to Civil Justice Act are being used within the eligibility limitations of G.S. 7A-474.3. This portion of the report detailing investigations and use of resources shall also include a list of all site visits conducted by Legal Aid personnel, with sufficient information even in the case of confidential information to identify the nature of the visit and the type of site visited. Finally, the report shall describe Legal Aid's efforts to more effectively bring legal services to North Carolina.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

CAP GRANTS FROM STATE AID TO LIBRARIES FUND

SECTION 19.2. The Department of Cultural Resources shall not allocate a grant to any municipal or single-county library from the Aid to Public Libraries Fund that exceeds four hundred thousand dollars ($400,000) for the 2014-2015 fiscal year.

QUEEN ANNE'S REVENGE PROJECT SPECIAL FUND

SECTION 19.4. Part 1 of Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-53.3. Queen Anne's Revenge Project.**

(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special, interest-bearing revenue fund within the Department of Cultural Resources, Office of Archives and History. The Fund shall consist of all receipts derived from private donations, grant funds, and earned revenue. The monies in the Fund may be used only for contracted services, personal services and operations, conference and meeting expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of Archives and History and the Department of Cultural Resources shall determine how the funds will be used for the purposes of the Queen Anne's Revenge Project, and those funds are hereby appropriated for those purposes.

(b) Application. – This section applies to the Queen Anne's Revenge, the historic shipwreck owned by the State and managed by the Department of Cultural Resources, Office of Archives and History.

(c) Reports. – The Department of Cultural Resources shall submit a report by September 30 of each year to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division. This report shall include the source and amount of all funds

credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

EXEMPT DCR FROM OPERATING RULES REQUIREMENTS RELATED TO HISTORIC SITES AND MUSEUMS

SECTION 19.5.(a) G.S. 121-7.3 reads as rewritten:

"**§ 121-7.3. Admission and related activity ~~fees.~~fees and operating hours.**

The Department of Cultural Resources may charge a reasonable admission and related activity fee to any historic site or museum administered by the Department. Admission and related activity fees collected under this section are receipts of the Department and shall be deposited in the appropriate special fund. The revenue collected pursuant to this section shall be used only for the individual historic site or museum where the receipts were generated. The Secretary may adopt rules necessary to carry out the provisions of this section. The Department is exempt from the requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting, amending, or repealing rules for operating hours and admission fees or related activity fees at historic sites and museums. The Department shall submit a report to the Joint Legislative Commission on Governmental Operations on the amount and purpose of a fee change within 30 days following its effective date."

SECTION 19.5.(b) G.S. 143B-71 reads as rewritten:

"**§ 143B-71. Tryon Palace Commission – creation, powers and duties.**

There is hereby created the Tryon Palace Commission of the Department of Cultural Resources with the power and duty to adopt, amend and rescind rules and regulations concerning the restoration and maintenance of the Tryon Palace complex, and other powers and duties as provided in Article 2 of Chapter 121 of the General Statutes of North Carolina, including the authority to charge reasonable admission and related activity fees. The Commission is exempt from the requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting, amending, or repealing rules for operating hours and admission fees or related activity fees at Tryon Palace Historic Sites and Gardens. The Commission shall submit a report to the Joint Legislative Commission on Governmental Operations on the amount and purpose of a fee change within 30 days following its effective date."

SECTION 19.5.(c) G.S. 143B-73 reads as rewritten:

"**§ 143B-73. U.S.S. North Carolina Battleship Commission – creation, powers, and duties.**

There is hereby created the U.S.S. North Carolina Battleship Commission of the Department of Cultural Resources with the power and duty to adopt, amend, and rescind rules and regulations under and not inconsistent with the laws of this State necessary in carrying out the provisions and purposes of this Part.

…

(3) The Commission shall adopt rules and regulations consistent with the provisions of this Chapter. The Commission is exempt from the requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting, amending, or repealing rules for operating hours and admission fees or related activity fees at the U.S.S. North Carolina Battleship. The Commission shall submit a report to the Joint Legislative Commission on Governmental Operations on the amount and purpose of a fee change within 30 days following its effective date."

CLOSURE OF MOUNTAIN GATEWAY MUSEUM PROHIBITED

SECTION 19.6. The Department of Cultural Resources, Division of History Museums, shall not close the Mountain Gateway Museum during the 2014-2015 fiscal year.

DCR BUDGET INTEGRITY

SECTION 19.7. In the development of the 2015-2017 biennial continuation budget, the Office of State Budget and Management shall restore various underfunded accounts for Archives and Records, Historic Preservation, and Personal Services within the Department of Cultural Resources.

MODIFY ROLES OF ROANOKE ISLAND COMMISSION AND DEPARTMENT OF CULTURAL RESOURCES IN MANAGING ROANOKE ISLAND FESTIVAL PARK

SECTION 19.8.(a) Part 27A of Article 2 of Chapter 143B of the General Statutes reads as rewritten:

"Part 27A. Roanoke Island Commission.

"**§ 143B-131.1. Commission established.**

There is established the Roanoke Island ~~Commission. The Commission shall be an independent, self-supporting commission, but shall be located~~Commission within the Department of Cultural Resources ~~for historic resource management, organizational, and budgetary purposes.~~to advise and assist the Secretary of the Department of Cultural Resources in the protection, preservation, development, and interpretation of the historical and cultural assets of Roanoke Island.

"**§ 143B-131.2. Roanoke Island Commission – Purpose, powers, and duties.**

(a) The Commission is created to ~~combine various existing entities in the spirit of cooperation for a cohesive body to protect, preserve, develop, and interpret the historical and cultural assets of Roanoke Island. The Commission is further created to~~fundraise for and to operate and administer the ~~Elizabeth II State Historic Site and Visitor Center, the Elizabeth II, Ice Plant Island, and all~~Roanoke Island Festival Park and all other properties under the administration of the Department of Cultural Resources located on Roanoke Island having historical significance to the State of North Carolina, Dare County, or the Town of Manteo, except as otherwise determined by the ~~Commission.~~Department.

(b) The Commission shall have the following powers and ~~duties:~~duties under the direction and control of the Secretary:

(1) To advise the Secretary of the Department of Transportation and adopt rules on matters pertaining to, affecting, and encouraging restoration, preservation, and enhancement of the appearance, maintenance, and aesthetic quality of U.S. Highway 64/264 and the U.S. 64/264 Bypass travel corridor on Roanoke Island and the grounds on Roanoke Island Festival Park. However, the local government that has jurisdiction over the affected portion of the travel corridor shall process the applications for and issue the certificates of appropriateness and shall be responsible for the enforcement of those certificates and any rules adopted pursuant to this subdivision that apply to the portion of the travel corridor within the jurisdiction of the local government. No reimbursement shall be made by the Commission to the local government for the processing of applications or issuance of certificates of appropriateness, or the enforcement of those certificates or the rules.

(2) To operate Roanoke Island Festival Park, including the Elizabeth II State Historic Site and Visitor Center and the Elizabeth II as permanent memorials commemorating the Roanoke Voyages, 1584-1587.

~~(3) To supervise the development of Ice Plant Island and to manage future facilities.~~

(4) To advise the Secretary of the Department of Cultural Resources on matters pertinent to historical and cultural events on Roanoke Island.

(5) With the assistance of the Department of Cultural Resources, to identify, preserve, and protect properties located on Roanoke Island having historical significance to the State of North Carolina, Dare County, or the Town of Manteo consistent with applicable State laws and rules.

(6) ~~To~~ With the approval of the Secretary of the Department of Cultural Resources, establish and collect a charge for admission to any property or event operated by the Commission.

~~(7) To solicit and accept gifts, grants, and donations.~~

(8) To cooperate with the Secretary and Department of Cultural Resources, the Secretary and Department of Transportation, the Secretary and Department of Environment and Natural Resources, and other governmental agencies, officials, and entities, and provide them with assistance and advice.

(9) To adopt and enforce ~~such~~ the bylaws, rules, and ~~guidelines~~ guidelines, not inconsistent with the rules and guidelines of the Department of Cultural Resources, that the Commission deems to be reasonably necessary in order to carry out its powers and duties. Notwithstanding the foregoing, Chapter

150B of the General Statutes does not apply to the adoption of rules by the Commission.

(10) To fundraise, accept monies, gifts, donations, grants, or devises, which funds will be used by the Commission for purposes of carrying out its duties and purposes herein set forth. ~~The Commission may establish a reserve fund to be maintained and used for contingencies and emergencies.~~ The Friends of Elizabeth II, Inc., shall use the balance of any unencumbered funds that were transferred to it pursuant to this subdivision only for expenses of the Commission or the properties operated by the Commission that are identified as operating or for maintenance costs by the Commission and that are requested by the Commission.

(11) By cooperative arrangement with other agencies, groups, individuals, and other entities, to coordinate and schedule historical and cultural events on Roanoke Island.

(12) Make recommendations to the Secretary of Cultural Resources concerning personnel and budgetary matters.

~~(13) To acquire real and personal property by purchase, gift, devise, and exchange.~~

~~(14) To administer the Historic Roanoke Island Fund as provided in G.S. 143B-131.8A.~~

~~(15) To procure supplies, services, and property as appropriate and to enter into contracts, leases, or other legal agreements to carry out the purposes of this Part and duties of the Commission. The provisions of G.S. 143-129 and Article 3 of Chapter 143 of the General Statutes do not apply to purchases by the Roanoke Island Commission of equipment, supplies, and services. However, the Commission shall: (i) submit all proposed contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars ($1,000,000) authorized by this subdivision to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all proposed contracts to be awarded by the Commission under this subdivision a standard clause which provides that the State Auditor and internal auditors of the Commission may audit the records of the contractor during and after the term of the contract to verify accounts and data affecting fees and performance. The Commission shall not award a cost plus percentage of cost agreement or contract for any purpose.~~

"**~~§ 143B-131.3. Assignment of property; offices.~~**

~~Upon request of the Commission, the head of any State agency may assign property, equipment, and personnel of such agency to the Commission to assist the Commission in carrying out its duties under this Part. Assignments under this section shall be without reimbursement by the Commission to the agency from which the assignment was made.~~

"**§ 143B-131.4. Commission reports.**

~~Before July 1, 1995, the Commission shall submit to the General Assembly a comprehensive report incorporating specific recommendations of the Commission for development and promotion of the Elizabeth II State Historic Site and Visitor Center. After the initial report, the~~The Commission shall submit a quarterly report to the Chairs of the House Appropriations Subcommittee on General Government and the Chairs of the Senate Appropriations Committee on General Government and Information Technology and to the Fiscal Research Division of the General Assembly. The report shall include:

…

"**§ 143B-131.5. Roanoke Island Commission – Additional powers and duties; transfer of assets and liabilities.**

(a) ~~The Commission shall also have the powers and duties established by Chapter 1194, Session Laws of 1981, as amended.~~To the extent that Chapter 1194 of the 1981 Session Laws is inconsistent with this Part, the powers and duties in this Part shall control.

…

"**§ 143B-131.6. Roanoke Island Commission – Members; terms; vacancies; expenses; officers.**

(a) The Commission shall consist of ~~24~~ 22 voting members appointed as follows:

(1) Six members appointed by the Governor;

(2) Six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, at least two of whom reside in Dare County;

(3) Six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, at least two of whom reside in Dare County; and

(4) The following persons, or their ~~designees, ex officio:~~designees shall serve ex officio:

~~a. The Governor;~~

b. The Attorney General;

~~c. The Secretary of the Department of Cultural Resources;~~

d. The Secretary of the Department of Transportation;

e. The Chair of the Dare County Board of Commissioners; and

f. The Mayor of Manteo.

(5) The Secretary of the Department of Cultural Resources, or the Secretary's designee, shall serve ex officio as a nonvoting member.

…

(c) The Governor shall appoint a chair biennially from among the membership of the Commission. The initial term of the chair shall commence on October 1, 1994. The Commission shall elect from its membership a vice-chair, a secretary, and treasurer to serve two-year terms. ~~The Commission in its discretion may appoint a historian to serve at its pleasure. Initial terms shall commence on October 1, 1994.~~

…

(g) The chair shall convene the Commission. Meetings shall be held as often as necessary, but not less than ~~two~~ four times a year.

…

(i) The Commission shall make its recommendations by March 15 of each year that terms expire for appointments for terms commencing July 1 of that ~~year; provided the initial appointments for terms commencing October 1, 1994, shall be made upon recommendation of the Roanoke Island Historical Association.~~year.

…

"**§ 143B-131.8A. Historic Roanoke Island Fund.**

(a) The Historic Roanoke Island Fund is established as a nonreverting enterprise fund and shall be administered by the ~~Roanoke Island Commission.~~Department of Cultural Resources. All operating revenues generated by the Roanoke Island Commission, including revenues collected from any property operated by the Roanoke Island Commission, together with all gifts, grants, donations, or other financial assets of whatever kind received or held by the Roanoke Island Commission shall be credited to the Historic Roanoke Island Fund and shall be used only (i) for the expenses of operating and maintaining the Roanoke Island Commission and the properties managed by the Roanoke Island Commission, including the salaries and benefits of Roanoke Island Festival Park staff, (ii) to carry out any of the other duties and purposes set out by this Part, or (iii) for capital expenditures for the properties operated by the Commission.

(b) The Department of Cultural Resources shall ~~pay to the Commission~~ transfer to the Fund on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer Banks History Center, which is located in the ~~facility owned by the Commission.~~Roanoke Island Festival Park. The funds received pursuant to this subsection shall be credited to the Historic Roanoke Island Fund.

(c) The Department of Cultural Resources shall credit to the Historic Roanoke Island Fund all rental proceeds received by the Department from the rental properties located near the Outer Banks Island Farm.

"**§ 143B-131.9. Roanoke Island ~~Commission~~ Festival Park staff.**

The Commission ~~shall appoint and fix the salary of an Executive Director to serve at its pleasure and may hire other employees. Employees of the Commission who were transferred from the Department of Cultural Resources as of July 1, 1995, and who were subject to the North Carolina Human Resources Act, Chapter 126 of the General Statutes, at the time of the transfer shall continue to be subject to that act. Employees of the Commission who were transferred but were not subject to the North Carolina Human Resources Act at the time of transfer are not subject to the North Carolina Human Resources Act. Employees of the~~

~~Commission who were not transferred are not subject to the North Carolina Human Resources Act unless the Commission designates the employee's position as subject to the North Carolina Human Resources Act when the employee is hired. Once designated, a position remains subject to the North Carolina Human Resources Act unless exempted in accordance with that act.~~shall serve as a search committee to seek out, interview, and recommend to the Secretary of the Department of Cultural Resources an Executive Director of Roanoke Island Festival Park. All employees of the Commission shall be transferred to the Department of Cultural Resources and shall be paid from the Historic Roanoke Island Fund as provided in G.S. 143B-131.8A. Except as otherwise provided in this section, or G.S. 126-5, all employees who are transferred from the Commission to the Department of Cultural Resources shall retain the same designations under the North Carolina Human Resources Act, Chapter 126 of the General Statutes, as they had prior to the transfer.

…."

SECTION 19.8.(b) This section is effective when this act becomes law.

DCR UMSTEAD EXEMPTION FOR CERTAIN EVENTS, ACTIVITIES, AND PROGRAMMING

SECTION 19.9 G.S. 66-58(b)(9b) reads as rewritten:

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

…

(9b) The Department of Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related ~~items~~ items and revenues from public and private special events, activities, and programming at historic sites and museums administered by the ~~Department.~~Department, provided that the resulting profits are used to support the operation of historic sites or museums."

PART XX. DEPARTMENT OF INSURANCE

INSURANCE REGULATORY CHARGE

SECTION 20.2.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2015 calendar year.

SECTION 20.2.(b) G.S. 58-6-25 reads as rewritten:

"**§ 58-6-25. Insurance regulatory charge.**

…

(d) Use of Proceeds. – The Insurance Regulatory Fund is created in the State treasury, under the control of the Office of State Budget and Management. The proceeds of the charge levied in this section and all fees collected under Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of the General Statutes shall be credited to the Fund. The Fund shall be placed in an interest-bearing account and any interest or other income derived from the Fund shall be credited to the Fund. Moneys in the Fund may be spent only pursuant to appropriation by the General Assembly and in accordance with the line item budget enacted by the General Assembly. The Fund is subject to the provisions of the ~~Executive~~ State Budget Act, except that no unexpended surplus of the Fund shall revert to the General Fund. All money credited to the Fund shall be used to reimburse the General Fund for the following:

…

(11) Money appropriated to the North Carolina Industrial Commission for support of the Commission's duties excepted from its statutory fee authority as set forth in G.S. 97-73(e).

…."

SECTION 20.2.(c) Subsection (a) of this section is effective when it becomes law. Subsection (b) of this section becomes effective January 1, 2015.

PART XXI. RESERVED

PART XXII. GENERAL ASSEMBLY

CREATE JOINT LEGISLATIVE COMMITTEE ON GENERAL GOVERNMENT

SECTION 22.1. Chapter 120 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Joint Legislative Oversight Committee on General Government.

"**§ 120-295. Creation and membership of Joint Legislative Oversight Committee on General Government.**

(a) The Joint Legislative Oversight Committee on General Government is established. The Committee consists of 12 members as follows:

(1) Six members of the Senate appointed by the President Pro Tempore of the Senate. At least three of the members shall be members of the Senate appropriations committee that has jurisdiction over the agencies set out in G.S. 120-296(a)(1).

(2) Six members of the House of Representatives appointed by the Speaker of the House of Representatives. At least three of the members shall be members of the House of Representatives appropriations subcommittee that has jurisdiction over the agencies set out in G.S. 120-296(a)(1).

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"**§ 120-296. Purpose and powers of Committee.**

(a) The Joint Legislative Oversight Committee on General Government shall examine on a continuing basis the services provided by the departments and agencies set out in this subsection in order to make ongoing recommendations to the General Assembly on ways to improve the effectiveness, efficiency, and quality of State government services. The Committee has the following powers and duties:

(1) Study the programs, organization, operations, and policies of the following agencies:

a. Department of Administration.
b. Department of State Auditor.
c. Department of Cultural Resources.
d. Governor's Office.
e. Housing Finance Agency.
f. Department of Insurance.
g. Lieutenant Governor's Office.
h. Office of Administrative Hearings.
i. Office of State Human Resources.
j. Department of Revenue.
k. Department of Secretary of State.
l. State Board of Elections.
m. Office of State Budget and Management.
n. Office of State Controller.
o. State Ethics Commission.
p. Department of State Treasurer.
q. General Assembly.
r. Any other agency under the jurisdiction of the Senate and House of Representatives appropriations subcommittees on general government.

(2) Review compliance of budget actions directed by the General Assembly.

(3) Monitor expenditures, deviations, and changes made by the agencies set out in subdivision (a)(1) of this section to the certified budget.

(4) Review policy changes as directed by law.

(5) Receive presentations of reports from agencies directed in the law, including audits, studies, and other reports.

(6) Review any issues that arise during the interim period between sessions of the General Assembly and provide a venue for any of these issues to be heard in a public setting.

(7) Monitor the quality of services provided by general government agencies to other agencies and the public.

(8) Identify opportunities for general government agencies to coordinate and collaborate to eliminate duplicative functions.

(9) Have presentations and reports on any other matters that the Committee considers necessary to fulfill its mandate.

(b) The Committee may make reports to the General Assembly. A report to the General Assembly may contain legislation needed to implement a recommendation of the Committee.

"**§ 120-297. Organization of Committee.**

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on General Government. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is five members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The Committee cochairs may establish subcommittees for the purpose of examining issues relating to services provided by particular divisions within the State's general government departments.

"**§ 120-298. Reports to Committee.**

Whenever a department, office, or agency set out in subdivision (a)(1) of G.S. 120-296 is required by law to report to the General Assembly or to any of its permanent committees or subcommittees on matters affecting the services the department or agency provides, the department or agency shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on General Government."

PART XXII-A. OFFICE OF STATE HUMAN RESOURCES

DISCONTINUE USE OF AUTOMATIC SCORING AND SCREENING OF APPLICATIONS FOR STATE GOVERNMENT EMPLOYMENT

SECTION 22A.1.(a) The Office of State Human Resources (OSHR) shall discontinue, as soon as practicable, utilization of its current online job application and career portal providing automatic scoring and screening of applications for State government employment. In order to effectuate the provisions of this section, the State Chief Information Officer shall not allocate any funds to continue or renew licenses for the online job application and career portal currently utilized by OSHR.

SECTION 22A.1.(b) Nothing in this section is intended, nor shall it be construed, to impair any valid contract relating to its subject matter.

OFFICE OF STATE HUMAN RESOURCES/JLOCGG REVIEW OF TEMPORARY SOLUTIONS

SECTION 22A.2.(a) The Joint Legislative Oversight Committee on General Government (Committee) created by Section 22.1 of this act shall review the effectiveness and efficiency of the Temporary Solutions staffing service of the Office of State Human Resources (OSHR). As part of its review, the Committee shall:

(1) Review the OSHR's administrative surcharge charged to State agencies.

(2) Review the administrative structure of the Temporary Solutions staffing service.

(3) Review the total number of full-time equivalent positions, workload per staff, and operations costs of the Temporary Solutions staffing service.
(4) Review the status of the accounts billable and payable of the Temporary Solutions staffing service, and the average time each State agency takes to remit payment for services rendered.
(5) Compare the Temporary Solutions staffing service to the same or similar staffing services in other states and the private sector.
(6) Examine whether State agencies would be better served by allowing agencies to contract with the private sector for temporary staffing services.
(7) Consider any other matters pertaining to the Temporary Solutions staffing service.

By January 30, 2015, the Committee shall report to the 2015 General Assembly on its recommendations and any legislative proposals relating to the Temporary Solutions staffing service.

SECTION 22A.2.(b) By October 1, 2014, the OSHR shall:

(1) Conduct a customer satisfaction survey that focuses on measuring State agencies' perceptions of the Temporary Solutions staffing service. At a minimum, the survey shall provide for ratings in the categories of promptness in placements, responsiveness to agency staffing needs, and identification and referral of qualified persons for temporary staffing requirements.
(2) Report the results of the survey required by this subsection to the Committee, along with OSHR's plan to address any issues identified by the survey.

EXTEND REORGANIZATION THROUGH REDUCTION PROGRAM

SECTION 22A.3.(a) Section 8.2 of S.L. 2013-382 reads as rewritten:

"**SECTION 8.2.** Severance and any other payments made pursuant to the implementation of the RTR program shall be made from the severance reserve and shall ~~will~~ not exceed funds appropriated for that purpose."

SECTION 22A.3.(b) Section 8.3 of S.L. 2013-382 reads as rewritten:

"**SECTION 8.3.** This Part is effective when it becomes law and expires ~~June 30, 2014.~~ June 30, 2015. The Office of State Personnel and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on January 31, 2014, April 30, 2014, ~~and September 1, 2014.~~September 1, 2014, January 31, 2015, April 30, 2015, and September 1, 2015."

PART XXIII. OFFICE OF THE GOVERNOR

EDUCATION AND WORKFORCE INNOVATION PROGRAM

SECTION 23.1.(a) Of the funds appropriated for the Education and Workforce Innovation Program, established under G.S. 115C-64.16, up to five percent (5%) each fiscal year may be used by the Office of the Governor to provide technical assistance and administrative assistance, including staff, to the Commission and reimbursement expenses for the Commission, and five percent (5%) each fiscal year shall be allocated to North Carolina New Schools Project. North Carolina New Schools Project shall use the funds to establish a peer learning network for all grantees to ensure high-quality implementation of grant programs that lead to strong results for students. The peer learning network shall (i) share effective practices and lessons learned among grantees; (ii) bring together grantee teachers and leaders for intensive development that sustains focus on instruction, academic rigor, and skills development; and (iii) benchmark grantee data against State and national standards. North Carolina New Schools Project shall also advise grantees in fund-raising.

SECTION 23.1.(b) G.S. 115C-64.16(f) reads as rewritten:

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

SECTION 23.1.(c) Funds appropriated for the Education and Workforce Innovation Program authorized by G.S. 115C-64.16 shall not revert at the end of each fiscal year but shall remain available until expended.

SECTION 23.1.(d) G.S. 115C-64.16(d) reads as rewritten:

"(d) Matching Private and Local Funds. – ~~All funds appropriated by the State must be matched by a combination of private and local funds. All grant applicants must fund twenty-five percent (25%) of program costs through local funds. An additional twenty-five percent (25%) of program costs must be raised by private funds.~~All grant applicants must match fifty percent (50%) of all State dollars. Matching funds shall not include other State funds. Matching funds may include in-kind contributions."

SECTION 23.1.(e) G.S. 115C-64.15 reads as rewritten:

"**§ 115C-64.15. North Carolina Education and Workforce Innovation Commission.**

…

(b) The Commission shall consist of the following ~~11~~ 14 members:

(1) The Secretary of Commerce.

(2) The State Superintendent of Public Instruction.

(3) The Chair of the State Board of Education.

(4) The President of The University of North Carolina.

(5) The President of the North Carolina Community College System.

(6) ~~Two~~ Three members appointed by the Governor who have experience in education.

(7) ~~Two~~ Three members appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121, who have experience in businesses operating in North Carolina.

(8) ~~Two~~ Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121, who have experience in businesses operating in North Carolina.

(b1) Members appointed by the Governor or the General Assembly shall serve for three-year terms commencing July 1 of the year of appointment and may serve successive terms.

…."

SECTION 23.1.(f) The terms of members appointed by the Governor or the General Assembly who are serving on the Commission on the effective date of this section shall expire June 30, 2016.

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

MUSEUM OF WAXHAW AMPHITHEATER

SECTION 24.1. Funds appropriated in this act for The Andrew Jackson Historical Foundation, Inc., a nonprofit organization, shall be used to rebuild the dilapidated amphitheater at the Museum of the Waxhaw. The Foundation shall use private or local funds to supplement the funds appropriated in this act.

WOMEN'S SHELTER FOR MACON AND JACKSON COUNTIES

SECTION 24.2. Funds appropriated in this act for Resources, Education, Assistance, Counseling, and Housing of Macon County, Inc., a nonprofit organization, for the construction of a facility to shelter battered women and their children in Macon and Jackson Counties shall be matched on a dollar-for-dollar basis by non-State funds.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT

SECTION 24.3. Section 6.7 of S.L. 2007-323 is repealed.

PART XXV. OFFICE OF THE STATE AUDITOR

PRIVATE AUDIT OF PENSION FUND

SECTION 25.1.(a) In addition to all other audits and reports required by law, the State Treasurer shall prepare and issue, for the 2014-2015 fiscal year, a set of financial statements regarding the investment programs for the Retirement Systems enumerated in G.S. 147-69.2(b)(8). These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the State Auditor based upon selection criteria developed by the State Auditor in consultation with the State Treasurer. The audit firm's report and the financial statements shall be provided to the State Controller and the General Assembly no later than January 1, 2016.

SECTION 25.1.(b) Supplementary information accompanying the financial statements required by subsection (a) of this section shall include a discussion of the Retirement Systems' risk and returns compared to benchmarks, total management fees and incentives paid, and comparisons to peer cost benchmarks.

SECTION 25.1.(c) The State Treasurer shall transfer to the State Auditor, from the assets of the Retirement Systems, the funds necessary to conduct the third-party audit required under this section.

SECTION 25.1.(d) The State Treasurer shall engage a commercial independent expert firm pursuant to G.S. 147-69.3(g) to evaluate the governance, operations, and investment practices of the State Treasurer in order to develop recommendations for improvement. The firm shall evaluate any potential cost-savings and performance impact generated by additional internal management of investments. The report of the expert firm shall be provided to the General Assembly when complete.

EXPAND THE STATE AUDITOR'S AUTHORITY TO PUBLISH REPORTS AND PROVIDE DISCRETION WHEN CHARGING AND COLLECTING COSTS OF CERTAIN AUDITS

SECTION 25.2. G.S. 147-64.6(c) reads as rewritten:

"(c) The Auditor shall be responsible for the following acts and activities:

…

(3) The Auditor, on ~~his~~the Auditor's own initiative and as often as ~~he~~the Auditor deems necessary, or as requested by the Governor or the General Assembly, shall, to the extent deemed practicable and consistent with ~~his~~the Auditor's overall responsibility as contained in this act, make or cause to be made audits of all or any part of the activities of the State agencies.

(4) The Auditor, at ~~his~~the Auditor's own discretion, may, in selecting audit areas and in evaluating current audit activity, consider and utilize, in whole or in part, the relevant audit coverage and applicable reports of the audit staffs of the various State agencies, independent contractors, and federal agencies. ~~He~~The Auditor shall coordinate, to the extent deemed practicable, the auditing conducted within the State to meet the needs of all governmental bodies.

…

(6) The Auditor is authorized and directed in ~~his~~the Auditor's reports of audits or reports of special investigations to make any comments, suggestions, or recommendations ~~he~~the Auditor deems appropriate concerning any aspect of such agency's activities and operations.

(7) The Auditor ~~shall~~may charge and collect from each examining and licensing board the actual cost of each audit of such board. Costs collected under this subdivision shall be based on the actual expense incurred by the Auditor's office in making such audit and the affected agency shall be entitled to an itemized statement of such costs. Amounts collected under this subdivision shall be deposited into the general fund as nontax revenue.

(8) The Auditor shall examine as often as may be deemed necessary the accounts kept by the Treasurer, and if ~~he~~the Auditor discovers any irregularity or deficiency therein, unless the same be rectified or explained to his satisfaction, report the same forthwith in writing to the General Assembly, with copy of such report to the Governor and Attorney General. In addition to regular audits, the Auditor shall check the treasury records at the time a Treasurer assumes office (not to succeed ~~himself),~~himself or herself), and therein charge ~~him~~the Treasurer with the balance in the

treasury, and shall check the Treasurer's records at the time ~~he~~the Treasurer leaves office to determine that the accounts are in order.

(9) The Auditor may examine the accounts and records of any bank or financial institution relating to transactions with the State Treasurer, or with any State agency, or ~~he~~the Auditor may require banks doing business with the State to furnish ~~him~~the Auditor information relating to transactions with the State or State agencies.

(10) The Auditor may, as often as ~~he~~the Auditor deems advisable, conduct a detailed review of the bookkeeping and accounting systems in use in the various State agencies which are supported partially or entirely from State funds. Such examinations will be for the purpose of evaluating the adequacy of systems in use by these agencies and institutions. In instances where the Auditor determines that existing systems are outmoded, inefficient, or otherwise inadequate, ~~he~~the Auditor shall recommend changes to the State Controller. The State Controller shall prescribe and supervise the installation of such changes, as provided in G.S. 143B-426.39(2).

(11) The Auditor shall, through appropriate tests, satisfy ~~himself~~himself or herself concerning the propriety of the data presented in the Comprehensive Annual Financial Report and shall express the appropriate auditor's opinion in accordance with generally accepted auditing standards.

(12) The Auditor shall provide a report to the Governor and Attorney General, and other appropriate officials, of such facts as are in ~~his~~the Auditor's possession which pertain to the apparent violation of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee.

(13) At the conclusion of an audit, the Auditor or ~~his~~the Auditor's designated representative shall discuss the audit with the official whose office is subject to audit and submit necessary underlying facts developed for all findings and recommendations which may be included in the audit report. On audits of economy and efficiency and program results, the auditee's written response shall be included in the final report if received within 30 days from receipt of the draft report.

(14) The Auditor shall notify the General Assembly, the Governor, the Chief Executive Officer of each agency audited, and other persons as the Auditor deems appropriate that an audit report has been published, its subject and title, and the locations, including State libraries, at which the report is available. The Auditor shall then distribute copies of the report only to those who request a report. The copies shall be in written or electronic form, as requested. He shall also file a copy of the audit report in the Auditor's office, which will be a permanent public ~~record; Provided, nothing~~record. In addition, the Auditor may publish on his or her Web site any reports from audits of State agencies not directly conducted by the Auditor. Nothing in this subsection shall be construed as authorizing or permitting the publication of information whose disclosure is otherwise prohibited by law.

…."

STATE AUDITOR/REPORT EVIDENCE OF CRIMINAL MISCONDUCT

SECTION 25.3. G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(c) The Auditor shall be responsible for the following acts and activities:

…

(19) Whenever the Auditor believes that information received or collected by the Auditor may be evidence of a violation of any of the provisions of Chapter 138A of the General Statutes, Chapter 120C of the General Statutes, or Article 14 of Chapter 120 of the General Statutes, the Auditor shall report that information to the State Ethics Commission and the Secretary of State as appropriate. The Auditor shall be bound by interpretations issued by the State Ethics Commission as to whether or not any information reported by the Auditor under this subdivision involves or may involve a violation of Chapter 138A of the General Statutes, Chapter 120C of the General Statutes,

or Article 14 of Chapter 120 of the General Statutes. Nothing in this subdivision shall be construed to limit the Auditor's authority under subdivision (1) of this subsection.

(20) Whenever the Auditor believes that information received or collected by the Auditor may be evidence of criminal misconduct, the Auditor shall report that information to either the State Bureau of Investigation or the District Attorney for the county where the alleged misconduct occurred. Nothing in this subdivision shall be construed to limit the Auditor's authority under subdivision (1) of this subsection."

PART XXVI. DEPARTMENT OF REVENUE

MODIFY TAX LOCATOR SERVICES CAP

SECTION 26.1. G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

…

(3) To pay for taxpayer ~~locater~~ locator services, not to exceed ~~five hundred thousand~~three hundred fifty thousand dollars ~~($500,000)~~($350,000) a year.

…."

PROHIBIT CLOSURE OF TAXPAYER ASSISTANCE CENTER IN ROCKY MOUNT

SECTION 26.2 The Department of Revenue shall not close the call center at the Taxpayer Assistance and Collection Center located in Rocky Mount during the 2014-2015 fiscal year.

USE COLLECTION ASSISTANCE FUND FOR PURCHASE OF SCANNERS

SECTION 26.3 Notwithstanding the use requirements of G.S. 105-243.1(e), for the 2014-2015 fiscal year, the Department of Revenue may use funds, not to exceed one million six hundred thousand dollars ($1,600,000) from the special account created by G.S. 105-243.1(e), for the purchase of new document scanners.

MODERNIZED E-FILING SYSTEM FOR CORPORATE TAXES

SECTION 26.4 The Department of Revenue shall issue a report to the Joint Legislative Oversight Committee on General Government no later than November 1, 2014, detailing the amount of funds used and the progress achieved in the project to modernize the e-filing system for corporate taxes.

PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE

PART XXVIII. RESERVED

PART XXIX. RESERVED

PART XXX. DEPARTMENT OF ADMINISTRATION

ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS SERVICE PROGRAMS

SECTION 30.1. G.S. 165-6(9) is repealed.

CLOSURE OF CERTAIN NC DIVISION OF VETERANS AFFAIRS OFFICES PROHIBITED

SECTION 30.2. The District Offices of the North Carolina Division of Veterans Affairs located in the Town of Garner and the City of Wilson shall not be closed during the 2013-2015 fiscal biennium.

DISCONTINUE STUDENTS AGAINST DESTRUCTIVE DECISIONS PROGRAM

SECTION 30.3. G.S. 143B-387.1 reads as rewritten:

"**§ 143B-387.1. North Carolina Youth Advocacy and Involvement Fund.**

The North Carolina Youth Advocacy and Involvement Fund is created as a special and nonreverting fund. Conference registration fees, gifts, donations, or contributions to or for the North Carolina Youth Legislative Assembly (YLA) ~~and the North Carolina Students Against Destructive Decisions (SADD) programs~~program shall be credited to the Fund.

The Fund shall be used solely to support planning and execution of the YLA ~~and SADD programs. The Department shall maintain separate cost centers for each program.~~program."

CLOSE BLOUNT STREET PROPERTIES FUND

SECTION 30.5.(a) Funds placed in the special trust fund pursuant to subdivision (3) of Section 2 of S.L. 2003-404 that are unexpended and unencumbered as of the effective date of this act shall be transferred to the General Fund.

SECTION 30.5.(b) Subdivision (3) of Section 2 of S.L. 2003-404 is repealed.

PART XXXI. HOUSING FINANCE AGENCY

WORKFORCE HOUSING LOAN PROGRAM

SECTION 31.1.(a) Of the funds appropriated in this act to the North Carolina Housing Trust Fund, the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2014-2015 fiscal year shall be used by the North Carolina Housing Finance Agency (hereinafter "Agency") for the purpose of making loans for qualified North Carolina low-income housing development.

SECTION 31.1.(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.

SECTION 31.1.(c) A taxpayer who is allocated a federal low-income housing tax credit under section 42 of the Code in the 2015 calendar year to construct or substantially rehabilitate a qualified North Carolina low-income housing development is eligible for a loan under subsection (a) of this section 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. No loan made to a taxpayer under this section shall exceed one million dollars ($1,000,000) if the low-income housing development is located in a low-income county, as designated by the Agency; seven hundred fifty thousand dollars ($750,000) in a moderate-income county, as designated by the Agency; and two hundred fifty thousand dollars ($250,000) in a high-income county, as designated by the Agency.

SECTION 31.1.(d) By February 1, 2016, 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 XXXII. RESERVED

PART XXXIII. DEPARTMENT OF THE STATE TREASURER

RECEIPT-SUPPORTED COMPLIANCE POSITIONS FOR RETIREMENT SYSTEM

SECTION 33.1. Two receipt-supported positions are hereby created in the Department of State Treasurer, Retirement Systems Division, in order to staff a compliance unit within the Division. The unit is tasked with reducing the risk of fraud, abuse, and waste within the retirement systems. Receipts for the positions may come from investment income from, contributions to, or other assets of the retirement systems managed by the Department. The Department may use up to two hundred twenty-five thousand dollars ($225,000) to fund these two positions.

INVESTMENT DIVISION COMPENSATION

SECTION 33.2.(a) G.S. 147-69.3(i2) reads as rewritten:

"(i2) In order to promote achievement of long-term investment objectives and to retain key public employees ~~in the Investment Division,~~with investment functions, the State Treasurer is authorized to establish market-oriented compensation plans, including ~~bonuses for the Chief Investment Officer and Investment Directors~~salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The ~~bonuses may~~design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment ~~compensation and the Pension Plan performance.~~compensation. The ~~salaries~~ compensation and other associated employee benefits shall be apportioned directly from the investment program. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative ~~Commission on Governmental Operations~~Oversight Committee on General Government annually."

SECTION 33.2.(b) G.S. 126-5 is amended by adding a new subsection to read:

"(c12) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15, and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of investment programs and compensated pursuant to G.S. 147-69.3(i2)."

SECTION 33.2.(c) There is hereby established a Compensation Reserve within the Investment Division of the Department of State Treasurer for the purpose of funding the compensation plans described in this section.

SECTION 33.2.(d) The State Treasurer shall submit a report, no later than March 1, 2015, to the Joint Legislative Oversight Committee on General Government, established by Section 22.1 of this act, regarding the distributions from the Investment Division's Compensation Reserve and the methodology used in determining any distributions.

PART XXXIV. DEPARTMENT OF TRANSPORTATION

STATE AID TO MUNICIPALITIES APPROPRIATION BASELINE

SECTION 34.1. G.S. 136-41.1 reads as rewritten:

"**§ 136-41.1. Appropriation to municipalities; allocation of funds generally; allocation to Butner.**

(a) There is annually appropriated out of the State Highway Fund a sum equal to ten and four-tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. The appropriation from the Highway Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion

that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis.

…."

CLARIFY DOT PRIVATE DEVELOPER REPORTING

SECTION 34.2. G.S. 136-28.6 reads as rewritten:

"**§ 136-28.6. Participation by the Department of Transportation with private developers.**

…

(h) The Secretary shall report in writing, on a quarterly basis, to the Joint Legislative Commission on Governmental Operations on all agreements entered into between a private developer and the Department of Transportation for participation in private engineering and construction contracts under this ~~section.~~section, as well as (i) agreements by counties and municipalities to participate in private engineering and construction contracts under subsection (i) of this section and (ii) pass-through funding from private developers to counties or municipalities for State transportation projects.

(i) Counties and municipalities may participate financially in private engineering, land acquisition, and construction contracts for transportation projects which meet the requirements of subsection (b) of this section within their jurisdiction.

…."

DEPARTMENT OF TRANSPORTATION OUT-OF-STATE TRAVEL

SECTION 34.5. Expenditures for out-of-state travel by the Department of Transportation for the 2014-2015 fiscal year and all subsequent fiscal years shall not exceed the amount expended during the 2009-2010 fiscal year. For purposes of this section, "expenditures

for out-of-state travel" includes transportation, conference, registration, and education expenses, lodging, and meals for Department of Transportation employees traveling outside of the State.

FUEL EXCISE TAX CHANGE

SECTION 34.6.(a) G.S. 105-449.106(b) is repealed.

SECTION 34.6.(b) Subsection (a) of this section becomes effective for taxable years beginning on or after January 1, 2015.

CONVERSION OF PAPER TITLES

SECTION 34.7.(a) G.S. 20-58.4A is amended by adding a new subsection to read:

"(l) The Division may convert an existing paper title to an electronic lien upon request of a primary lienholder. The Division or a party contracting with the Division under this section is authorized to collect a fee not to exceed three dollars ($3.00) for each conversion."

SECTION 34.7.(b) G.S. 20-63(h) is amended by adding a new subdivision to read:

"(11) Conversion of an existing paper title to an electronic lien upon request of a primary lienholder."

SECTION 34.7.(c) This section becomes effective January 1, 2015.

REMOTE DRIVERS LICENSE RENEWAL

SECTION 34.8.(a) G.S. 20-7(f) reads as rewritten:

"(f) Duration and Renewal of Licenses. – Drivers licenses shall be issued and renewed pursuant to the provisions of this subsection:

…

(6) Remote renewal. – The Division may offer remote renewal of a drivers license issued by the Division. For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner.

a. Requirements. – To be eligible for remote renewal under this subdivision, a person must meet all of the following requirements:

1. The license holder possesses a valid, unexpired Class C drivers license that was issued when the person was at least 18 years old.
2. The license holder's current license includes no restrictions other than a restriction for corrective lenses.
3. The license holder attests, in a manner designated by the Division, that (i) the license holder is a resident of the State and currently resides at the address on the license to be renewed, (ii) the license holder's name as it appears on the license to be renewed has not changed, and (iii) all other information required by the Division for an in-person renewal under this Article has been provided completely and truthfully.
4. The most recent renewal was an in-person renewal and not a remote renewal under this subdivision.
5. The license holder is otherwise eligible for renewal under this subsection.

b. Waiver of requirements. – When renewing a drivers license pursuant to this subdivision, the Division may waive the examination and photograph that would otherwise be required for the renewal.

c. Duration of remote renewal. – A renewed drivers license issued to a person by remote renewal under this subdivision expires according to the following schedule:

1. For a person at least 18 years old but less than 66 years old, on the birthday of the licensee in the eighth year after issuance.
2. For a person at least 66 years old, on the birthday of the licensee in the fifth year after issuance.

d. Rules. – The Division shall adopt rules to implement this subdivision.

e. Federal law. – Nothing in this subdivision shall be construed to supersede any more restrictive provisions for renewal of drivers licenses prescribed by federal law or regulation."

SECTION 34.8.(b) This section is effective when it becomes law and applies to drivers licenses renewed on or after the Division of Motor Vehicles adopts rules under G.S. 20-7(f)(6)d., as enacted by subsection (a) of this section.

DMV HEARING FEES

SECTION 34.9.(a) The Department of Transportation, Division of Motor Vehicles, shall develop a plan and proposed schedule of fees to recover the direct and indirect costs incurred for the performance of administrative hearings required by law or under rules adopted by the Board of Transportation. The plan and proposed schedule shall address, at a minimum, the following:

(1) Current hearing process and recommended modifications to achieve cost efficiencies, including proposed revisions to existing laws or rules.
(2) Historical and projected funding requirements for each category of hearing performed by the Division.
(3) Schedule of fees and projected receipts.
(4) Proposed processes and rules for the collection of fees and the refunding of fees for hearings initiated by the Division in which the original decision of the Division is reversed.
(5) Implementation milestones.

SECTION 34.9.(b) The Division shall report on its recommended schedule to the Joint Legislative Transportation Oversight Committee no later than December 1, 2014.

SECTION 34.9.(c) From funds appropriated to the Department of Transportation, Information Technology Section for the 2014-2015 fiscal year, the Department shall implement modifications to supporting information technology systems necessary to timely implement the hearing fee schedule required by subsection (a) of this section. The Department shall implement the hearing fee schedule required by subsection (a) of this section by no later than January 1, 2016.

DEPARTMENT OF TRANSPORTATION AIRCRAFT FLEET

SECTION 34.10.(a) The Division of Aviation of the Department of Transportation shall sell the following aircraft from its fleet as expeditiously as possible in order to modernize the fleet:

(1) Sikorsky S-76C helicopter.
(2) Cessna 550 Citation Bravo airplane.

Proceeds from these sales as well as any future sales under the plan required by subsection (b) of this section shall be credited to a nonreverting reserve within the Highway Fund to be used for future aircraft or equipment acquisitions by the Division of Aviation. The Division shall not acquire or dispose of additional aviation assets prior to its report to the Joint Legislative Transportation Oversight Committee required by subsection (c) of this section.

SECTION 34.10.(b) The Division of Aviation shall develop a plan to further reduce operating requirements and optimize its fleet to fulfill its regional passenger and photogrammetry missions, addressing, at a minimum, the following:

(1) Asset utilization.
(2) Assets recommended for disposal or acquisition.
(3) Contracted services.
(4) Cost efficiencies.
(5) Recommendations for adjustments to passenger transport rates.
(6) Interagency coordination of assets and personnel.

SECTION 34.10.(c) The Division shall report on the plan required by subsection (b) of this section to the Joint Legislative Transportation Oversight Committee no later than October 1, 2014.

HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM AND PAVEMENT PRESERVATION PROGRAM

SECTION 34.11.(a) G.S. 143B-350(f) reads as rewritten:

"(f) Duties of the Board. – The Board of Transportation has the following duties and powers:

…

(4) To approve a schedule of all major transportation improvement projects and their anticipated cost. This schedule is designated the Transportation Improvement ~~Program; it must be published~~ Program. The Board shall publish the schedule and make copies ~~must be~~ available for distribution. The document that contains the Transportation Improvement Program, or a separate document that is published at the same time as the Transportation Improvement Program, ~~must~~shall include the anticipated funding sources for the improvement projects included in the Program, a list of any changes made from the previous year's Program, and the reasons for the changes.

(4a) To approve a schedule of State highway maintenance projects and their anticipated cost. This schedule is designated the Highway Maintenance Improvement Program and is established in G.S. 136-44.3A. The Board shall publish the schedule on the Department's Web site by April 1 of each year. The document that contains the Highway Maintenance Improvement Program shall include the anticipated funding sources for the improvement projects included in the Highway Maintenance Improvement Program, a list of any changes made from the previous year's Highway Maintenance Improvement Program, and the reasons for the changes.

(5) To consider and advise the Secretary of Transportation upon any other transportation matter that the Secretary may refer to it.

…."

SECTION 34.11.(b) Article 2A of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.3A. Highway Maintenance Improvement Program.**

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

(1) Cape seal treatment. – A chip seal treatment followed by a slurry seal treatment.

(2) Chip seal treatment. – A type of pavement preservation treatment applied to existing asphalt pavement. The treatment involves spraying an asphalt emulsion onto the roadway, applying a layer of aggregate chips, and rolling the chips into the emulsion. This term includes single, double, and triple chip seal treatments.

(3) Highway Maintenance Improvement Program. – The schedule of State highway maintenance projects required under G.S. 143B-350(f)(4a).

(4) Highway Maintenance Improvement Program Needs Assessment. – A report of the amount of funds needed, the number of affected lane miles, and the percentage of the primary and secondary system roads that are rated to need a resurfacing or pavement preservation treatment within the Highway Maintenance Improvement Program's three-year time period but are not programmed due to funding constraints.

(5) Microsurfacing treatment. – A type of pavement preservation treatment that involves mixing fine aggregate, asphalt emulsion, minerals, water, and a polymer additive, and applying the mixture to the roadway.

(6) Pavement preservation treatment. – Includes full-width surface treatments used to extend or renew the pavement life.

(7) Rehabilitation. – A contract resurfacing maintenance program that involves applying multiple layers of pavement that exceed two inches.

(8) Resurfacing. – A contract resurfacing program that involves applying one layer that does not exceed two inches of pavement.

(9) Slurry seal treatment. – A type of pavement preservation treatment that involves mixing fine aggregate, asphalt emulsion, minerals, and water, and applying the mixture to the roadway.

(b) Road Quality Improvement of Pavement Preservation Treatments. – It is the intent of the General Assembly that (i) the Department use asphalt pavement preservation treatments

that are high-quality, long-lasting, and provide a smooth road surface and (ii) the Department increase its contractual use of pavement preservation treatments.

(c) Highway Maintenance Improvement Program. – After the annual inspection of roads within the State highway system, each highway division shall determine and report to the Chief Engineer on the need for rehabilitation, resurfacing, or pavement preservation treatments. The Chief Engineer shall establish a three-year priority list for each highway division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a three-year improvement schedule, sorted by county, for rehabilitation, resurfacing, and pavement preservation treatment activities. The schedule shall be based on the amount of funds appropriated to the contract resurfacing program and the pavement preservation program in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program for all three years of the Highway Maintenance Improvement Program. State funding for the Highway Maintenance Improvement Program shall be limited to funds appropriated from the State Highway Fund.

(d) Contract Maintenance Resurfacing Program Letting Schedule. – Beginning in the 2015-2016 fiscal year, and based on the amount of funds appropriated in the prior fiscal year by the General Assembly to the Department for the contract maintenance resurfacing program, the Department shall let contracts that total at least seventy percent (70%) of contract resurfacing program funds included in the certified budget annually by September 1.

(e) Single Chip Seal Treatment Prohibited on Subdivision Streets and Access Routes. – Except as authorized in subsection (f) of this section, and unless used in combination with a slurry seal, microsurfacing, or resurfacing treatment, the Department shall not use single chip seal treatment on subdivision streets or access routes for Surface Transportation Assistance Act Dimensioned Vehicles.

(f) Authorized Use of Single Chip Seal Treatment on Secondary Roads. – The Department may use single chip seal treatments on secondary roads only under any of the following conditions:

(1) The secondary road has a daily traffic volume of less than 15,000 vehicles. Single chip treatments used under this subdivision shall be capped with a final riding surface of sand or material of equivalent size to fill voids to create a smooth riding surface.

(2) The single chip seal treatment is used in combination with a slurry seal, microsurfacing, or resurfacing treatment.

(3) The condition of the secondary road requires a rough surface to improve traction, such as a secondary road in a mountainous community or another area with low skid resistance.

(g) Report. – The Department shall submit the Highway Maintenance Improvement Program and Highway Maintenance Improvement Program Needs Assessment to the General Assembly by April 1 of each year. If the General Assembly is in session, the Department shall report to the House of Representatives Appropriations Subcommittee on Transportation, the Senate Appropriations Committee on Transportation, and the Fiscal Research Division. If the General Assembly is not in session, the Department shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division."

SECTION 34.11.(c) G.S. 136-44.3 reads as rewritten:

"**§ 136-44.3. ~~Maintenance program.~~Report on the condition of the State highway system and maintenance funding needs.**

The Department shall establish performance standards for the maintenance and operation of the State highway system. In each even-numbered year, the Department of Transportation shall survey the condition of the State highway system and shall prepare a report of the findings of the survey. The report shall provide both quantitative and qualitative descriptions of the condition of the system and shall provide estimates of the following:

(1) The annual cost to meet and sustain the established performance standards for the ~~primary and secondary~~State highway system, delineated by costs to the primary or secondary system, to ~~include: (i) routine maintenance and operations, (ii) system preservation, and (iii) pavement and bridge rehabilitation.~~include the following categories of work: (i) contract resurfacing, (ii) pavement preservation, (iii) routine highway maintenance, (iv) disasters and emergencies, (v) structurally sound bridge maintenance, and (vi) structurally unsound bridge rehabilitation, repair, or replacement.

(2) Projected system condition and corresponding optimal funding requirements for a seven-year plan to sustain established performance standards. The report shall also identify target levels of service for each maintenance activity and assess historical program performance across divisions, including project delivery rates, staffing, and direct and indirect costs. The Department shall clearly denote prioritized maintenance needs and recommended resource allocations and distribution methods to achieve each target.

(3) Any significant variations in system conditions among highway divisions. The report shall include an examination of how well the highway divisions streamline project delivery, maximize efficiency, and prioritize spending based on needs and make recommendations on ways to improve these processes. The report shall analyze the cost of delivering maintenance activities by division and make recommendations on how to reduce these costs regionally and statewide.

(4) An assessment of the level of congestion throughout the primary highway system based on traffic data, and a ranking of the most congested areas based on travel time reliability and the average number of congested hours, together with the Department's recommendations for congestion reduction and mobility improvement.

(5) An analysis of existing highway division staffing levels and recommendations to ensure staffing levels are distributed appropriately based on need.

(6) A cross-divisional comparison summary document, not to exceed one page in length, which includes the divisional performance data described in subdivision (2) of this section as well as the most deficient roads and bridges in each division.

~~On the basis of the report and from funds available, the Department of Transportation shall develop a statewide annual maintenance program for the State highway system, which shall be subject to the approval of the Board of Transportation and is consistent with performance standards.~~

…."

SECTION 34.11.(d) G.S. 136-44.16 reads as rewritten:

"**§ 136-44.16. Authorized use of contract maintenance resurfacing program funds.**

(a) Of the contract maintenance resurfacing program funds appropriated by the General Assembly to the Department of Transportation, an amount not to exceed fifteen percent (15%) of the Board of Transportation's allocation of these funds may be used for widening existing narrow pavements.

(b) The uses of slurry seal treatments, microsurfacing treatments, and thin lift asphalt overlays for pavement preservation treatments are authorized uses of contract maintenance resurfacing program funds."

SECTION 34.11.(e) 2014-2015 Contract Maintenance Resurfacing Program Letting Schedule. – Beginning in the 2014-2015 fiscal year, and based on the amount of funds appropriated in the prior fiscal year by the General Assembly to the Department for the contract maintenance resurfacing program, the Department shall let contracts that total at least forty percent (40%) of contract resurfacing program funds included in its certified budget by September 1, 2014. The Department shall let contracts that total a minimum of sixty percent (60%) of the current fiscal year's contract maintenance resurfacing program funds by November 1, 2014.

SECTION 34.11.(f) Article 2A of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.17. Pavement preservation program.**

(a) Program Established. – The Department of Transportation shall establish the pavement preservation program.

(b) Eligible Activities or Treatments. – Applications eligible for funding under the pavement preservation program include the following preservation activities or treatments for asphalt pavement structures:

(1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals.

(2) Microsurfacing.

(3) Profile milling not covered by resurfacing.
(4) Asphalt rejuvenators.
(5) Open graded asphalt friction course.
(6) Overlays less than 1,000 feet in length.
(7) Diamond grinding.
(8) Joint sealing.
(9) Dowel bar retrofit.
(10) Partial-depth or full-depth repairs and reclamations.
(11) Ultra-thin whitetopping.
(12) Thin lift and sand asphalt overlays.

(c) Ineligible Activities or Treatments. – The pavement preservation program shall not include the following preservation activities or treatments:

(1) Contract resurfacing activities or major pavement rehabilitation treatments and pretreatments that are used in combination with a resurfacing treatment, such as profile milling or chip seals.
(2) Routine maintenance activities used to maintain and preserve the condition of roads. Treatments include, but are not limited to, asphalt crack sealing, pothole patching, rut filling, cleaning of roadside ditches and structures, shoulder maintenance, and retracing of pavement markings.
(3) Maintenance and preservation activities performed on bridges or culverts.
(4) Activities related to positive guidance or signal maintenance program functions."

SECTION 34.11.(g) Establishment of Account. – The Department of Transportation shall establish a new account within its maintenance account to receive funds allocated under this section for pavement preservation.

SECTION 34.11.(h) 2014-2015 Outsourcing Target. – Of funds allocated in this act for pavement preservation, no more than eighty percent (80%) may be used for projects undertaken by the Department, with the remaining funds used for projects outsourced to private contractors.

SECTION 34.11.(i) Future Outsourcing Targets. – The Department shall increase its use of outsourcing of pavement preservation activities to reach the following targets for outsourcing of pavement preservation projects:

(1) Thirty percent (30%) of pavement preservation program funds allocated by the 2015-2016 fiscal year.
(2) Fifty-five percent (55%) of pavement preservation program funds allocated by the 2016-2017 fiscal year.
(3) Eighty percent (80%) of pavement preservation program funds allocated by the 2017-2018 fiscal year and subsequent fiscal years thereafter.

SECTION 34.11.(j) Increased Use of the Paving Industry. – It is the intent of the General Assembly that the Department work cooperatively with the paving industry so that the industry grows in size, scope, and geographic reach and has the capability to fulfill contracts for pavement preservation work across the State. Therefore, the Department is directed to conduct workshops, trainings, or other meetings to encourage greater privatization of pavement preservation activities with the intent of reducing the amount of pavement preservation activities conducted by the Department.

SECTION 34.11.(k) Minimum Lane Mile Treatment. – From funds allocated in this act for pavement preservation, the Department shall treat a minimum of 4,300 lane miles with eligible pavement preservation treatments and activities listed in G.S. 136-44.17(b), as enacted by subsection (f) of this section.

SECTION 34.11.(l) Report. – The Department shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division by no later than September 1, 2014, on its plan for increasing its use of outsourcing of pavement preservation activities in accordance with subsection (i) of this section. The Department shall report no later than December 1, 2014, and annually thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the Department's progress toward achieving the goals set forth in subsection (i) of this section. The annual report shall include the following:

(1) A monthly examination of expenditures, by treatment type, indicating the amount and percentage performed by contract.

(2) The number of lane miles covered, by treatment type, along with an average cost per lane miles, by treatment type, indicating costs for each type for work performed by the Department and by contract.

(3) The statewide cost per lane mile (hereafter "unit cost") along with unit cost for each division and for each type of treatment. The Department shall provide an explanation for unit costs that vary by more than twenty percent (20%) from the statewide unit cost.

SECTION 34.11.(m) Subsection (j) of this section expires June 30, 2017. Subsection (l) of this section expires December 31, 2018.

DOT BUDGET TRANSFERS/ELIMINATION OF FUNDING FOR POSITION

SECTION 34.12.(a) Of funds appropriated in this act to the Department of Transportation, budget transfers to the Office of the Governor undertaken under the authority set forth in Chapter 143C of the General Statutes shall not exceed two hundred sixty-seven thousand four hundred sixteen dollars ($267,416) in the 2014-2015 fiscal year. These funds shall be used to support the following positions:

Position number	Title
65019379	Assistant Legal Counsel
65019380	Communications Specialist
60008477	Policy Analyst
60008516	Deputy Communications Director
60008502	Boards and Commissions Specialist
60008504	Legislative Director

SECTION 34.12.(b) Notwithstanding any law to the contrary, budget transfers from the Department of Transportation to the Office of the Governor to support the positions listed in subsection (a) of this section are prohibited after the 2014-2015 fiscal year.

SECTION 34.12.(c) Funding for the following position shall be eliminated after the 2014-2015 fiscal year:

Position number	Title
60014914	Federal Legislative Programs Coordinator

OUTSOURCING OF PRECONSTRUCTION ACTIVITY

SECTION 34.13.(a) The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department of Transportation shall meet each of the following privatization requirements:

(1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to seventy percent (70%) of the total cost of activities performed by those units in fiscal year 2014-2015, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.

(2) Increase the outsourcing of all activities performed by the Department's Roadway Design unit to fifty percent (50%) of the total cost of activities performed by that unit in fiscal year 2014-2015.

(3) Increase the outsourcing of all activities performed by the Department's Project Development and Environmental Analysis unit to sixty-five percent (65%) of the total cost of activities performed by that unit in fiscal year 2014-2015.

(4) The Department's Right-of-Way unit shall increase the total expenditures for outsourced activity by five percent (5%) in fiscal year 2014-2015.

SECTION 34.13.(b) The Department may credit any reduction in expenditures due to a reduction in force towards meeting the requirements imposed by subsection (a) of this section.

SECTION 34.13.(c) The Department shall increase contracts for construction of transportation projects on a design-build basis awarded under the provisions of G.S. 136-28.11.

SECTION 34.13.(d) The Department shall report no later than October 1, 2014, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division regarding its implementation of this section, including any reductions in force used to meet privatization requirements.

DOT SIGNAGE

SECTION 34.14.(a) G.S. 136-89.56 reads as rewritten:

"**§ 136-89.56. Commercial enterprises.**

No commercial enterprises or activities shall be authorized or conducted by the Department of Transportation, or the governing body of any city or town, within or on the property acquired for or designated as a controlled-access facility, as defined in this Article, except for:

(1) Materials displayed at welcome centers which shall be directly related to travel, accommodations, tourist-related activities, tourist-related services, and attractions. The Department of Transportation shall issue rules regulating the display of these materials. These materials may contain advertisements for real estate; and

(2) Vending machines permitted by the Department of Transportation and placed by the Division of Services for the Blind, Department of Health and Human Services, as the State licensing agency designated pursuant to Section 2(a)(5) of the Randolph-Sheppard Act (20 USC 107a(a)(5)). The Department of Transportation shall regulate the placing of the vending machines in highway rest areas and shall regulate the articles to be dispensed. In order to permit the establishment of adequate fuel and other service facilities by private owners or their lessees for the users of a controlled-access facility, the Department of Transportation shall permit access to service or frontage roads within the publicly owned right-of-way of any controlled-access facility established or designated as provided in this Article, at points which, in the opinion of the Department of Transportation, will best serve the public interest. The location of such fuel and other service facilities may be indicated to the users of the controlled-access facilities by appropriate signs, the size, style, and specifications of which shall be determined by the Department of Transportation.

The location of fuel, gas, food, lodging, camping, and attraction facilities may be indicated to the users of the controlled-access facilities by appropriate logos placed on signs owned, controlled, and erected by the Department of Transportation. The owners, operators or lessees of fuel, gas, food, lodging, camping, and attraction facilities who wish to place a logo identifying their business or service on a sign shall furnish a logo meeting the size, style and specifications determined by the Department of Transportation and shall pay the Department ~~for the costs of initial installation and subsequent maintenance. The fees for logo sign installation and maintenance shall be set by the Board of Transportation based on cost.~~a fee set by the Board of Transportation. The Board shall set the fee to cover the initial costs of signs, sign installation, and maintenance, and the costs of administering the logo sign program."

SECTION 34.14.(b) G.S. 136-140.19 reads as rewritten:

"**§ 136-140.19. ~~Department~~ Board of Transportation to adopt rules to implement the TODS program.**

The ~~Department~~ Board of Transportation shall adopt rules to implement the TODS program created by this Article. The rules shall include all of the following:

(1) The ~~Department~~ Board shall set fees to cover the initial costs of signs, sign installation, and maintenance, and the costs of administering the program.

(2) The ~~Department~~ Board shall establish a standard for the size, color, and letter height of the TODS as specified in the National Manual of Uniform Traffic Control Devices for Streets and Highways.

…

(8) The ~~Department~~ Board shall limit the placement of TODS to highways other than fully controlled access highways and to rural areas in and around towns or cities with a population of less than 40,000."

STATE PARKS AND TRAILS SIGNAGE

SECTION 34.15.(a) The Department of Transportation, in conjunction with the State Parks and Recreation Division of the Department of Environment and Natural Resources, the Department of Commerce, and Friends of the Mountains-to-Sea Trail, Inc., a nonprofit corporation, shall study the use of highway signage as a means of improving the North Carolina residents' and tourists' awareness of State parks, including historic and cultural sites as well as

the Mountains-to-Sea Trail. The study shall include an examination of at least all of the following:

(1) Whether signs currently located on or near highways in this State are sufficient in number, location, and size and presentation to make travelers on the highways of this State aware of the existence and location of all State parks, including historic and cultural sites as well as the Mountains-to-Sea Trail.

(2) Whether signs currently located on or near highways in this State adequately inform travelers that portions of the roads they travel on are part of the current route of the Mountains-to-Sea Trail.

(3) What measures could be taken to improve the efficacy of highway signage in achieving the goals described in subdivisions (1) and (2) of this subsection.

(4) What the costs and benefits of implementing the measures described in subdivision (3) of this subsection would be.

SECTION 34.15.(b) No later than April 1, 2015, the Department of Transportation shall report the results of the study required by this section to the chairs of the Joint Legislative Transportation Oversight Committee and to the Fiscal Research Division.

DOT STAFFING

SECTION 34.16.(a) The Department of Transportation shall review the organization and staffing of the Division of Highways and the Division of Preconstruction and identify areas of unnecessary duplication within management structures and variations in the number of employees reporting to persons identified as supervisors. Based on its review, the Department shall create and implement a plan for staffing changes and staffing efficiencies. The plan shall reduce layers of management to the level needed for carrying out the Department's functions and responsibilities and ensure that employees designated as supervisors have workloads and staff size that are appropriate given the function or task for which that supervisor has responsibility.

SECTION 34.16.(b) The Department shall report its progress on implementing this section to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than December 1, 2014.

BOARD OF TRANSPORTATION TO STUDY FEES, SPONSORSHIP, AND PRIVATIZATION

SECTION 34.17.(a) The Board of Transportation shall study how fees, sponsorship, or privatization might be used to reduce the use of public funds for services provided by the Department. The services the Board shall study include, but are not limited to, the following:

(1) Inspection of streets and bridges within a private development for future addition to the State highway system.

(2) Inspection, site review, and permitting of the installation of driveways by private parties providing access to a component of the State highway system.

(3) Review and inspection of encroachments onto the State highway system.

(4) Lease or sale of property related to the resolution of encroachments or the disposition of surplus right-of-way.

(5) Review of or consultation on development plats or plans.

(6) Review, engineering, or consultation regarding drainage issues, improvements, or maintenance adjacent to components of the State highway system.

(8) Training sessions or workshops offered to private consultants and contractors.

(9) Review and engineering consultation regarding traffic plans.

SECTION 34.17.(b) The Board shall also study the existing fee structure for services performed by Highway Division personnel and identify any fees that no longer cover the direct and indirect costs incurred by the Department to perform the service.

SECTION 34.17.(c) The Department of Transportation shall report on the Board's study and recommendations for fee adjustments or additions to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than December 1, 2014. This report shall also include recommendations from the Board on the use of

sponsorships for activities, programs, or functions currently performed by the Department or the privatization of these functions, and include the following information:

(1) The current cost of activities proposed for sponsorship support or privatization.
(2) The potential receipts that could reasonably be collected through sponsorships or the cost-savings achieved through privatization.
(3) A proposed process for the screening and selection of sponsors.
(4) Mock-ups of potential sponsorship signage on materials, buildings, vehicles, vessels, or other locations.
(5) Any administrative, statutory, or regulatory changes needed for the Department to proceed with sponsorship or privatization programs.

RENAME AND REDIRECT TAX PROCEEDS OF SYSTEM PRESERVATION PROGRAM

SECTION 34.18.(a) The Department of Transportation shall rename the "system preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this program shall be used for improvements to structurally deficient and functionally obsolete bridges. All projects funded under this program, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, and planning activities, shall be outsourced to private contractors.

SECTION 34.18.(b) G.S. 119-18 reads as rewritten:

"**§ 119-18. Inspection tax and distribution of the tax proceeds.**

…

(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied first to the costs of administering this Article and Subchapter V of Chapter 105 of the General Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway Fund to be used for ~~system preservation~~ the bridge program under the Department of Transportation in the highway maintenance program.

…."

HIGHWAY FUND CREDIT RESERVE

SECTION 34.19.(a) G.S. 136-44.2 is amended by adding a new subsection to read:

"**§ 136-44.2. Budget and appropriations.**

…

(f1) The credit reserve for the Highway Fund consists of the following:

(1) The unreserved credit balance in the Highway Fund on the last day of the fiscal year to the extent the balances exceed the amount estimated for that date in the Current Operations Appropriations Act for the following fiscal year.
(2) The unallotted and unencumbered balances on the last day of the fiscal year for the following:
a. Funds appropriated from the Highway Fund for the multimodal programs of the Department, consisting of funds for bicycle and pedestrian, ferry, railroad, aviation, and public transportation programs, excluding funds deposited in the Freight Rail & Rail Crossing Safety Improvement Fund.
b. Funds appropriated from the Highway Fund for the construction programs of the Department, consisting of funds for secondary construction, access and public service roads, spot safety improvement, contingency, small urban construction, and economic development programs.
(3) The unencumbered and unexpended balances on the last day of the fiscal year for the following:
a. Central and program administration.
b. Transfers to other State agencies or departments not used or returned.
(4) The remaining balance for (i) any open project that has been inactive for two or more years after construction of the project has been completed or (ii) any project that is not obligated during the first two fiscal years in which funds are appropriated."

SECTION 34.19.(b) The sum of twelve million dollars ($12,000,000) of the unallotted and unexpended balance of funds within the Bicycle program (fund center 1500/0036), Ferry Operations (fund center 1500/7825), Railroad program (fund center 1500/7829), Airports program (fund center 1500/7830), and the Public Transportation program (fund center 1500/7831), excluding funds deposited in the Freight Rail & Rail Crossing Safety Improvement Fund, shall be transferred to the Highway Fund as appropriated and allocated by this act.

SALE OF CERTAIN FORMER NC RAILROAD PROPERTIES

SECTION 34.20.(a) Subject to the right of first refusal in subsection (b) of this section, the Department of Administration shall dispose of the following parcels following the procedures set out in Chapter 146 of the General Statutes, provided that the Department may not dispose of the properties by gift or for less than fair market value:

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000

SECTION 34.20.(b) Before the Department disposes of any property described in subsection (a), the city of Morehead City, Carteret County, or the city and county jointly shall be given the right of first refusal to purchase, lease, or rent any or all of the parcels at fair market value as determined by rules adopted by the Department under G.S. 146-29. Any lease or rental agreement under this subsection shall provide that the lessee or tenant may not sublease the property, except to a public entity for a public purpose. The right of first refusal shall expire on June 30, 2015.

SECTION 34.20.(c) Following expiration of the right of first refusal period set forth in subsection (b) of this section, or upon written notice from the city of Morehead City and Carteret County waiving the right of first refusal, the Department shall dispose of the properties by sale.

SECTION 34.20.(d) Notwithstanding G.S. 146-30, the Department shall deposit the net proceeds from the disposition of the properties into the Freight Rail & Rail Crossing Safety Improvement Fund of the Highway Fund.

DIVISION OF MOTOR VEHICLES POSITION FUNDING

SECTION 34.22. Notwithstanding any other provision of law, the Department of Transportation may use funds appropriated for the 2014-2015 fiscal year from the Highway Trust Fund to continue funding positions within the Division of Motor Vehicles that were funded by the Highway Trust Fund during the 2013-2014 fiscal year.

DOT CASH MANAGEMENT

SECTION 34.23.(a) G.S. 143C-6-11 reads as rewritten:

"**§ 143C-6-11. Highway appropriation.**

…

(f) ~~Five Percent (5%) of the Cash Balance Required.~~Seven and One-Half Percent (7.5%) Cash Balance Required. – The Department of Transportation shall maintain an available cash balance at the end of each month equal to at least ~~five percent (5%)~~seven and one-half percent (7.5%) of ~~the unpaid balance of the total transportation project contract obligations.~~the total appropriations for the current fiscal year from the Highway Fund and the Highway Trust Fund. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. In the event this cash position is not maintained, no further transportation project contract commitments may be entered into until the cash balance has been regained. ~~For the purposes of awarding contracts involving federal aid, any amount due from the federal government and the Highway Bond Fund as a result of unreimbursed expenditures may be considered as cash for the purposes of this provision.~~Any federal funds on hand shall not be considered as cash for the purposes of this subsection.

…

(k) The Department of Transportation shall do all of the following:

(1) Utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the Highway Trust Fund to an amount equal to ~~the twelve percent (12%) of the combined estimate of the yearly receipts of the Funds.~~ between fifteen and twenty percent (15-20%) of the total appropriations for the current fiscal year from those funds. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. Any federal funds on hand shall not be considered as cash for the purposes of this subsection. The target amount shall include an amount necessary to make all municipal-aid funding requirements of the Department.

(2) Establish necessary management controls to facilitate use of cash flow financing, such as establishment of a financial planning committee, development of a monthly financing report, establishment of appropriate fund cash level targets, review of revenue forecasting procedures, and reduction of accrued unbilled costs.

(3) Report annually, on October 1 of each year, to the Joint Legislative Transportation Oversight Committee on its cash management policies and results."

SECTION 34.23.(b) The Board of Transportation shall study the Department's cash management policies and identify ways to strengthen these policies in order to prevent excessive cash balances. The Department shall report to the House of Representatives Appropriations Subcommittee on Transportation, the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division by April 1, 2015, on the findings from this study and any resulting policy changes made based on the findings of the study.

SECTION 34.23.(c) In any month in which the Department's total cash balance on hand from the Highway Fund and the Highway Trust Fund exceeds one billion dollars ($1,000,000,000), the Department shall report its cash balance no later than the 15th day of the following month as follows:

(1) To the Board of Transportation.

(2) If the General Assembly is in session, to the Chairs of the House of Representatives Appropriations Subcommittee on Transportation, the Chairs of the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division.

(3) If the General Assembly is not in session, to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

The report shall include an explanation from the Department of the reasons the cash balance has exceeded the amount specified in this subsection, the actions to be taken by the Department to reduce the cash balance, and the estimated amount of time it will take to bring the cash balance to the target identified in G.S. 143C-6-11(k)(1), as amended by subsection (a) of this section.

SECTION 34.23.(d) Subsection (c) of this section becomes effective July 1, 2015.

DOT LEGAL SERVICES

SECTION 34.24.(a) Section 34.27 of S.L. 2013-360 reads as rewritten:

"**SECTION 34.27.** The Department of Transportation may engage the services of private counsel with the pertinent expertise to ~~timely defend or otherwise resolve legal challenges~~provide legal services related to transportation projects undertaken by the Department. The Department shall supervise and manage the private counsel engaged under this section and shall not be required to obtain written permission or approval from the Attorney General under G.S. 114-2.3. ~~The Department shall report the engagement of private counsel authorized by this section within 30 days to the General Assembly, as follows:~~

~~(1) If the General Assembly is in session, the Department shall report to the Chairs of the Appropriations Subcommittee on Transportation of the House of Representatives, the Chairs of the Appropriations Committee on Transportation of the Senate, and the Fiscal Research Division.~~

~~(2) If the General Assembly is not in session, or adjourns sine die during the 30-day period, the Department shall report to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.~~"

SECTION 34.24.(b) It is the intent of the General Assembly that the Department of Transportation exercise the authority granted by subsection (a) of this section to maximize operational and project delivery benefits attributed to the avoidance or successful defense of litigation. To accomplish this intent, the Department is directed to increase its utilization of external counsel to no less than ten percent (10%) of new cases arising during the 2014-2015 fiscal year, increasing to no less than twenty percent (20%) of new cases arising during the 2015-2016 fiscal year.

SECTION 34.24.(c) The Department shall develop performance metrics to evaluate its utilization of in-house and outside counsel, to include the following:

(1) A summary of new matters opened by legal area.
(2) Case cycle times.
(3) Resolution of cases.
(4) A comparison of in-house costs to billable rates for external counsel.
(5) The process for procurement for legal services.

The Department shall report no later than January 1, 2015, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Justice and Public Safety Oversight Committee regarding the performance metrics set forth in this subsection.

SECTION 34.24.(d) G.S. 136-103.1 reads as rewritten:

"**§ 136-103.1. Outside counsel.**

The ~~Attorney General~~Secretary of Transportation is authorized to employ outside counsel as ~~he~~ the Secretary deems necessary for the purpose of obtaining title abstracts and title certificates for transportation system rights-of-way and for assistance in the trial of condemnation cases involving the acquisition of rights-of-way and other interests in land for the purpose of transportation construction. Compensation, as approved by the ~~Attorney General,~~Secretary, shall be paid out of the appropriations from the Highway Fund."

SECTION 34.24.(e) Legal positions assigned to the Department from the Department of Justice which become vacant during the 2014-2015 fiscal year shall not be filled.

HISTORIC BRIDGE PRESERVATION PROGRAM CLARIFICATION

SECTION 34.27. G.S. 136-18 is amended by adding a new subdivision to read:

"(45) The Department shall not transfer ownership of a State-owned concrete arch bridge to any public, private, or nonprofit entity as part of any bridge relocation or reuse program project unless the entity assumes all liability associated with the bridge and posts a bond or other financial assurance acceptable to the Department to cover the present value of future maintenance costs, as well as any right-of-way or other additional costs if the bridge transfer would require the Department to change the planned route of any replacement structure."

"FIRST IN FREEDOM" REGISTRATION PLATES

SECTION 34.28.(a) G.S. 20-63 reads as rewritten:

"**§ 20-63. Registration plates furnished by Division; requirements; replacement of regular plates with First in Flight ~~plates;~~ plates or First in Freedom plates; surrender and reissuance; displaying; preservation and cleaning; alteration or concealment of numbers; commission contracts for issuance.**

…

(b) Every license plate must display the registration number assigned to the vehicle for which it is issued, the name of the State of North Carolina, which may be abbreviated, and the year number for which it is issued or the date of expiration. A plate issued for a commercial vehicle, as defined in G.S. 20-4.2(1), and weighing 26,001 pounds or more, must bear the word "commercial," unless the plate is a special registration plate authorized in G.S. 20-79.4 or the commercial vehicle is a trailer or is licensed for 6,000 pounds or less. The plate issued for

vehicles licensed for 7,000 pounds through 26,000 pounds must bear the word "weighted," unless the plate is a special registration plate authorized in G.S. 20-79.4.

A registration plate issued by the Division for a private passenger vehicle or for a private hauler vehicle licensed for 6,000 pounds or less shall ~~be~~ be, at the option of the owner, either (i) a "First in Flight" ~~plate.~~ plate or (ii) a "First in Freedom" plate. A "First in Flight" plate shall have the words "First in Flight" printed at the top of the plate above all other letters and numerals. The background of the "First in Flight" plate shall depict the Wright Brothers biplane flying over Kitty Hawk Beach, with the plane flying slightly upward and to the right. A "First in Freedom" plate shall have the words "First in Freedom" printed at the top of the plate above all other letters and numerals. The background of the "First in Freedom" plate may include an image chosen by the Division that is representative of the Mecklenburg Declaration of 1775 or the Halifax Resolves of 1776.

(b1) The following special registration plates do not have to be a "First in Flight" plate or "First in Freedom" plate as provided in subsection (b) of this section. The design of the plates that are not "First in Flight" plates or "First in Freedom" plates must be developed in accordance with G.S. 20-79.4(a3). For special plates authorized in G.S. 20-79.7 on or after July 1, 2013, the Division may not issue the plate on a background under this subsection unless it receives at least 200 applications for the plate in addition to the applications required under G.S. 20-79.4 or G.S. 20-81.12.

…."

SECTION 34.28.(b) G.S. 20-79(c) reads as rewritten:

"(c) Form and Duration. – A dealer license plate is subject to G.S. 20-63, except for the requirement that the plate display the registration number of a motor vehicle and the requirement that the plate be a "First in Flight" ~~plate.~~ plate or a "First in Freedom" plate. A dealer license plate must have a distinguishing symbol identifying the plate as a dealer license plate. The symbol may vary depending upon the classification of dealer license plate issued. The Division must provide suitably reduced sized license plates for motorcycle dealers and manufacturers.

…."

SECTION 34.28.(c) G.S. 20-79.2(c) reads as rewritten:

"(c) Form, Duration, and Transfer. – A transporter plate is subject to G.S. 20-63, except for the requirement that the plate display the registration number of a motor vehicle and the requirement that the plate be a "First in Flight" ~~plate.~~ plate or a "First in Freedom" plate. A transporter plate shall have a distinguishing symbol identifying the plate as a transporter plate. The symbol may vary depending upon the classification of transporter plate issued. A transporter plate is issued for a period of one year. The Division shall vary the expiration dates of transporter registration renewals so that an approximately equal number expires at the end of each month, quarter, or other period consisting of one or more months. When the Division issues a transporter plate, it may issue a registration that expires at the end of any monthly interval. During the year for which it is issued, a business or dealer may transfer a transporter plate from one vehicle to another as long as the vehicle is driven only for a purpose authorized by subsection (a) of this section. The Division must rescind a transporter plate that is displayed on a motor vehicle driven for a purpose that is not authorized by subsection (a) of this section."

SECTION 34.28.(d) This section becomes effective July 1, 2015, and applies to registration plates issued on or after that date.

REPORT ON USE OF ECONOMIC DEVELOPMENT PROGRAM FUNDS

SECTION 34.29. Section 34.7 of S.L. 2013-360 reads as rewritten:

"**ECONOMIC DEVELOPMENT PROGRAM FUNDS**

…

"**SECTION 34.7.(b)** Of the funds appropriated to the Economic Development fund, the sum of three million three hundred forty-six thousand two hundred fifteen dollars ($3,346,215) in nonrecurring funds for fiscal year 2013-2014 and four million thirty-six thousand one hundred seventy-one dollars ($4,036,171) in recurring funds for fiscal year 2014-2015 shall be used for prioritized transportation improvements and infrastructure that expedite commercial growth as well as either job creation or job retention. Projects funded under this section shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce.

"**SECTION 34.7.(c)** The Department of Commerce and the Department of Transportation shall both develop guidelines and procedures related to the administration of the Economic

Development funds referred to in subsection (b) of this section and to the selection of projects to receive allocations of those funds, including project evaluation measures. The guidelines and procedures shall include a process for submitting, evaluating, and prioritizing projects on a monthly basis. The Department of Commerce shall publish the guidelines and procedures it develops on its Web site, and the Department of Transportation shall publish the guidelines and procedures it develops on its Web site. Both Departments shall develop guidelines and procedures no later than October 1, 2014.

"**SECTION 34.7.(d)** Beginning October 1, 2014, the Department of Commerce and the Department of Transportation shall do both of the following:

(1) Meet quarterly to select projects for funding based on the prioritization rankings developed in subsection (c) of this section and assigned by each Department.

(2) Report quarterly to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on the commitment, disbursement, and use of funds referred to in subsection (b) of this section. The report is due no later than one month after the end of the fiscal quarter."

REGULATION OF UNMANNED AIRCRAFT SYSTEMS

SECTION 34.30.(a) Chapter 15A of the General Statutes is amended by adding a new Article to read:

"Article 16B.

"Use of Unmanned Aircraft Systems.

"**§ 15A-300.1. Restrictions on use of unmanned aircraft systems.**

(a) Definitions. – The following definitions apply to this Article:

(1) Manned aircraft. – An aircraft, as defined in G.S. 63-1, that is operated with a person in or on the aircraft.

(2) Model aircraft. – An aircraft, as defined in G.S. 63-1, that is mechanically driven or launched into flight and that meets all of the following requirements:

a. Is flown solely for hobby or recreational purposes.

b. Is not used for payment, consideration, gratuity, or benefit, directly or indirectly charged, demanded, received, or collected, by any person for the use of the aircraft or any photographic or video image produced by the aircraft.

(3) Unmanned aircraft. – An aircraft, as defined in G.S. 63-1, that is operated without the possibility of human intervention from within or on the aircraft and that does not meet the definition of model aircraft.

(4) Unmanned aircraft system. – An unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system.

(b) General Prohibitions. – Except as otherwise provided in this section, no person, entity, or State agency shall use an unmanned aircraft system to do any of the following:

(1) Conduct surveillance of:

a. A person or a dwelling occupied by a person and that dwelling's curtilage without the person's consent.

b. Private real property without the consent of the owner, easement holder, or lessee of the property.

(2) Photograph an individual, without the individual's consent, for the purpose of publishing or otherwise publicly disseminating the photograph. This subdivision shall not apply to newsgathering, newsworthy events, or events or places to which the general public is invited.

(c) Law Enforcement Exceptions. – Notwithstanding the provisions of subsection (b) of this section, the use of unmanned aircraft systems by law enforcement agencies of the State or a political subdivision of the State is not prohibited in the following instances:

(1) To counter a high risk of a terrorist attack by a specific individual or organization if the United States Secretary of Homeland Security or the

Secretary of the North Carolina Department of Public Safety determines that credible intelligence indicates that such a risk exists.

(2) To conduct surveillance in an area that is within a law enforcement officer's plain view when the officer is in a location the officer has a legal right to be.

(3) If the law enforcement agency first obtains a search warrant authorizing the use of an unmanned aircraft system.

(4) If the law enforcement agency possesses reasonable suspicion that, under particular circumstances, swift action is needed to prevent imminent danger to life or serious damage to property, to forestall the imminent escape of a suspect or the destruction of evidence, to conduct pursuit of an escapee or suspect, or to facilitate the search for a missing person.

(5) To photograph gatherings to which the general public is invited on public or private land.

(d) Limitations on Use of Special Imaging Technology. – Commercial and private unmanned aircraft systems may be equipped with infrared or other thermal imaging technology subject to the provisions of this subsection. Infrared or other similar thermal imaging technology equipment shall be for the sole purpose of scientific investigation; scientific research; mapping and evaluating the earth's surface, including terrain and surface water bodies and other features; investigation or evaluation of crops, livestock, or farming operations; investigation of forests and forest management; and other similar investigations of vegetation or wildlife.

(e) Any person who is the subject of unwarranted surveillance, or whose photograph is taken in violation of the provisions of this section, shall have a civil cause of action against the person, entity, or State agency that conducts the surveillance or that uses an unmanned aircraft system to photograph for the purpose of publishing or otherwise disseminating the photograph. In lieu of actual damages, the person whose photograph is taken may elect to recover five thousand dollars ($5,000) for each photograph or video that is published or otherwise disseminated, as well as reasonable costs and attorneys' fees and injunctive or other relief as determined by the court.

(f) Evidence obtained or collected in violation of this section is not admissible as evidence in a criminal prosecution in any court of law in this State except when obtained or collected under the objectively reasonable, good-faith belief that the actions were lawful.

"**§ 15A-300.2. Regulation of launch and recovery sites.**

(a) No unmanned aircraft system may be launched or recovered from any State or private property without consent.

(b) A unit of local government may adopt an ordinance to regulate the use of the local government's property for the launch or recovery of unmanned aircraft systems."

SECTION 34.30.(b) Chapter 14 of the General Statutes is amended by adding a new Article to read:

"Article 2F.

"Crimes by Unmanned Aircraft Systems.

"**§ 14-7.45. Crimes committed by use of unmanned aircraft systems.**

All crimes committed by use of an unmanned aircraft system, as defined in G.S. 15A-300.1, while in flight over this State shall be governed by the laws of this State, and the question of whether the conduct by an unmanned aircraft system while in flight over this State constitutes a crime by the owner of the unmanned aircraft system shall be determined by the laws of this State."

SECTION 34.30.(c) Article 36 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-280.3. Interference with manned aircraft by unmanned aircraft systems.**

(a) Any person who willfully damages, disrupts the operation of, or otherwise interferes with a manned aircraft through use of an unmanned aircraft system, while the manned aircraft is taking off, landing, in flight, or otherwise in motion, is guilty of a Class H felony.

(b) The following definitions apply to this section:

(1) Manned aircraft. – As defined in G.S. 15A-300.1.

(2) Unmanned aircraft system. – As defined in G.S. 15A-300.1."

SECTION 34.30.(d) Article 52 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-401.24. Unlawful possession and use of unmanned aircraft systems.**

(a) It shall be a Class E felony for any person to possess or use an unmanned aircraft or unmanned aircraft system that has a weapon attached.

(b) It shall be a Class 1 misdemeanor for any person to fish or to hunt using an unmanned aircraft system.

(c) The following definitions apply to this section:

(1) To fish. – As defined in G.S. 113-130.

(2) To hunt. – As defined in G.S. 113-130.

(3) Unmanned aircraft. – As defined in G.S. 15A-300.1.

(4) Unmanned aircraft system. – As defined in G.S. 15A-300.1.

(5) Weapon. – Those weapons specified in G.S. 14-269, 14-269.2, 14-284.1, or 14-288.8 and any other object capable of inflicting serious bodily injury or death when used as a weapon.

(d) This section shall not prohibit possession or usage of an unmanned aircraft or unmanned aircraft system that is authorized by federal law or regulation."

SECTION 34.30.(e) Article 52 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-401.25. Unlawful distribution of images.**

It shall be a Class A1 misdemeanor to publish or disseminate, for any purpose, recorded images taken by a person or non-law enforcement entity through the use of infrared or other similar thermal imaging technology attached to an unmanned aircraft system, as defined in G.S. 15A-300.1, and revealing individuals, materials, or activities inside of a structure without the consent of the property owner."

SECTION 34.30.(f) G.S. 113-295 reads as rewritten:

"**§ 113-295. Unlawful harassment of persons taking wildlife resources.**

(a) It is unlawful for a person to interfere intentionally with the lawful taking of wildlife resources or to drive, harass, or intentionally disturb any wildlife resources for the purpose of disrupting the lawful taking of wildlife resources. It is unlawful to take or abuse property, equipment, or hunting dogs that are being used for the lawful taking of wildlife resources. This subsection does not apply to a person who incidentally interferes with the taking of wildlife resources while using the land for other lawful activity such as agriculture, mining, or recreation. This subsection also does not apply to activity by a person on land he owns or leases.

Violation of this subsection is a Class 2 misdemeanor for a first conviction and a Class 1 misdemeanor for a second or subsequent conviction.

(a1) It is unlawful to use an unmanned aircraft system, as defined in G.S. 15A-300.1, to violate subsection (a) of this section. Violation of this subsection is a Class 1 misdemeanor.

(b) The Wildlife Resources Commission may, either before or after the institution of any other action or proceeding authorized by this section, institute a civil action for injunctive relief to restrain a violation or threatened violation of subsection (a) of this section pursuant to G.S. 113-131. The action shall be brought in the superior court of the county in which the violation or threatened violation is occurring or about to occur and shall be in the name of the State upon the relation of the Wildlife Resources Commission. The court, in issuing any final order in any action brought pursuant to this subsection may, in its discretion, award costs of litigation including reasonable attorney and expert-witness fees to any party."

SECTION 34.30.(g) Chapter 63 of the General Statutes is amended by adding a new Article to read:

"Article 10.

"Operation of Unmanned Aircraft Systems.

"**§ 63-95. Training required for operation of unmanned aircraft systems.**

(a) As used in this Article, the term "Division" means the Division of Aviation of the Department of Transportation.

(b) The Division shall develop a knowledge and skills test for operating an unmanned aircraft system that complies with all applicable State and federal regulations and shall provide for administration of the test. The Division may permit a person, including an agency of this State, an agency of a political subdivision of this State, an employer, or a private training facility, to administer the test developed pursuant to this subsection, provided the test is the same as that administered by the Division and complies with all applicable State and federal regulations.

(c) No agent or agency of the State, or agent or agency of a political subdivision of the State, may operate an unmanned aircraft system within the State without completion of the test set forth in subsection (b) of this section.

"**§ 63-96. License required for commercial operation of unmanned aircraft systems.**

(a) No person shall operate an unmanned aircraft system, as defined in G.S. 15A-300.1, in this State for commercial purposes unless the person is in possession of a license issued by the Division valid for the unmanned aircraft system being operated. Application for such license shall be made in the manner provided by the Division. Unless suspended or revoked, the license shall be effective for a period to be established by the Division not exceeding eight years.

(b) No person shall be issued a license under this section unless all of the following apply:

(1) The person is at least 18 years of age.

(2) The person possesses a valid drivers license issued by any state or territory of the United States or the District of Columbia.

(3) The person has passed the knowledge and skills test for operating an unmanned aircraft system as prescribed in G.S. 63-95(b).

(4) The person has satisfied all other applicable requirements of this Article or federal regulation.

(c) A license to operate an unmanned aircraft system for commercial purposes shall not be issued to a person while the person's license to operate an unmanned aircraft system is suspended, revoked, or cancelled in any state.

(d) The Division shall develop and administer a program to license operators of unmanned aircraft systems for commercial purposes. The program must include the following components:

(1) A system for classifying unmanned aircraft systems based on characteristics determined to be appropriate by the Division.

(2) A fee structure for licenses.

(3) A license application process.

(4) Technical guidance for complying with program requirements.

(5) Criteria under which the Division may suspend or revoke a license.

(6) Criteria under which the Division may waive licensure requirements for applicants currently holding a valid license to operate unmanned aircraft systems issued by another state or territory of the United States, the District of Columbia, or the United States.

(7) A designation of the geographic area within which a licensee shall be authorized to operate an unmanned aircraft system.

(8) Requirements pertaining to the collection, use, and retention of data by licensees obtained through the operation of unmanned aircraft systems, to be established in consultation with the State Chief Information Officer.

(9) Requirements for the marking of each unmanned aircraft system operated pursuant to a license issued under this section sufficient to permit identification of the owner of the system and the person licensed to operate it.

(10) A system for providing agencies that conduct other operations within regulated airspace with the identity and contact information of licensees and the geographic areas within which the licensee is permitted to operate an unmanned aircraft system.

(e) A person who operates an unmanned aircraft system for commercial purposes other than as permitted under this section shall be guilty of a Class 1 misdemeanor.

(f) The Division may issue rules and regulations to implement the provisions of this section."

SECTION 34.30.(h) The Division of Aviation of the Department of Transportation shall develop and implement the knowledge and skills test required by G.S. 63-95, as enacted in subsection (g) of this section, no later than May 31, 2015, and shall report to the Joint Legislative Transportation Oversight Committee on the status of implementation by June 15, 2015.

SECTION 34.30.(i) The Division of Aviation of the Department of Transportation shall immediately begin developing the licensing system for commercial operation required by

G.S. 63-96, as enacted in subsection (g) of this section, and shall ensure that the system complies with Federal Aviation Administration (FAA) guidelines on commercial operation, as those guidelines become available. Within 60 days of issuance of the FAA guidelines and authorization by the FAA for commercial operations to begin, the Division shall implement the licensing system required by G.S. 63-96, as enacted in subsection (g) of this section.

SECTION 34.30.(j) No operation of unmanned aircraft systems by agents or agencies of the State, or agents or agencies of a political subdivision of the State, shall be authorized in this State until the knowledge and skills test required by G.S. 63-95, as enacted in subsection (g) of this section, has been implemented.

No operation of unmanned aircraft systems for commercial purposes shall be authorized in this State until the FAA has authorized commercial operations and the licensing system required by G.S. 63-96, as enacted in subsection (g) of this section, has been implemented.

SECTION 34.30.(k) The Division of Aviation of the Department of Transportation shall use funds appropriated in this act to the Division to cover the administration costs incurred from developing and implementing the knowledge and skills test and licensing system for commercial operation required by this section.

SECTION 34.30.(l) Subsection (a) of this section becomes effective October 1, 2014, and applies to acts occurring on or after that date. Subsections (b), (c), (d), (e), and (f) of this section become effective December 1, 2014, and apply to offenses committed on or after that date. The remainder of this section is effective when it becomes law.

PART XXXV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 35.1.(a) G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred forty-one thousand two hundred sixty-five dollars ($141,265)~~ one hundred forty-two thousand two hundred sixty-five dollars ($142,265) annually, payable monthly."

SECTION 35.1.(b) Section 35.1(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.1.(b)** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries for members of the Council of State, payable monthly, shall ~~remain unchanged~~ be increased by one thousand dollars ($1,000) as follows:

Council of State	Annual Salary
Lieutenant Governor	~~$124,676~~$125,676
Attorney General	~~124,676~~125,676
Secretary of State	~~124,676~~125,676
State Treasurer	~~124,676~~125,676
State Auditor	~~124,676~~125,676
Superintendent of Public Instruction	~~124,676~~125,676
Agriculture Commissioner	~~124,676~~125,676
Insurance Commissioner	~~124,676~~125,676
Labor Commissioner	~~124,676~~125,676"

SECTION 35.1.(c) Section 35.1(a) of S.L. 2013-360 is repealed.

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.2. Section 35.2 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.2.** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries, payable monthly, for the following executive branch officials shall ~~remain unchanged~~ be increased by one thousand dollars ($1,000) as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	~~$110,868~~$111,868
State Controller	~~155,159~~156,159
Commissioner of Banks	~~124,676~~125,676
Chair, Board of Review, Division of Employment Security	~~122,255~~123,255
Members, Board of Review, Division of Employment Security	~~120,737~~121,737
Chairman, Parole Commission	~~101,235~~102,235
Members of the Parole Commission	~~93,464~~94,464
Chairman, Utilities Commission	~~138,849~~139,849

Members of the Utilities Commission	~~124,676~~125,676
Executive Director, North Carolina Agricultural Finance Authority	~~107,915~~108,915"

JUDICIAL BRANCH

SECTION 35.3.(a) Section 35.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.3.(a)** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries, payable monthly, for specified judicial branch officials shall ~~remain unchanged~~ be increased by one thousand dollars ($1,000) as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	~~$142,623~~$143,623
Associate Justice, Supreme Court	~~138,896~~139,896
Chief Judge, Court of Appeals	~~136,682~~137,682
Judge, Court of Appeals	~~133,109~~134,109
Judge, Senior Regular Resident Superior Court	~~129,492~~130,492
Judge, Superior Court	~~125,875~~126,875
Chief Judge, District Court	~~114,301~~115,301
Judge, District Court	~~110,684~~111,684
District Attorney	~~120,737~~121,737
Administrative Officer of the Courts	~~128,259~~129,259
Assistant Administrative Officer of the Courts	~~117,152~~118,152
Public Defender	~~120,737~~121,737
Director of Indigent Defense Services	~~124,498~~125,498

"~~**SECTION 35.3.(b)** Effective for the 2013-2015 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:~~

~~(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.~~

~~(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.~~

~~(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.~~

~~(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.~~"

SECTION 35.3.(b) The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by one thousand dollars ($1,000), effective July 1, 2014, except for employees eligible to receive step increases under G.S. 7A-102(c1) at any time during the 2014-2015 fiscal year.

SECTION 35.3.(c) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed seventy-two thousand seven hundred ninety-seven dollars ($72,797) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-eight thousand six hundred twenty-eight dollars ($38,628), effective July 1, 2014.

SECTION 35.3.(d) G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	~~$ 83,390~~$84,390
100,000 to 149,999	~~93,578~~94,578
150,000 to 249,999	~~103,766~~104,766
250,000 and above	~~113,958~~114,958

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary

appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

SECTION 35.3.(e) G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	$32,609
Maximum	~~55,424~~56,424
Deputy Clerks	Annual Salary
Minimum	$28,223
Maximum	~~43,107.~~44,107."

SECTION 35.3.(f) G.S. 7A-171.1(a)(1) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$33,025~~$35,275
Step 1	~~35,951~~37,950
Step 2	~~39,135~~40,835
Step 3	~~42,640~~43,890
Step 4	~~46,551~~47,550
Step 5	~~50,959~~51,960
Step 6	~~55,901.~~56,900."

SECTION 35.3.(g) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum	Maximum
Less than 1 year of service		~~$26,846~~$27,846
1 or more but less than 3 years of service	28,027 –	29,027
3 or more but less than 5 years of service	30,405 –	31,405

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

SECTION 35.3.(h) Salary reserves generated by the clerk of superior court offices during the 2014-2015 fiscal year shall be used exclusively by the clerks of superior court. The clerks of superior court may use these funds to award salary increases in addition to those specifically provided for deputy and assistant clerks under the respective salary plans. Any additional increases may be awarded at the discretion of each elected clerk of superior court. The Administrative Office of the Courts shall (i) allocate funds for additional discretionary salary adjustments on a per capita basis and (ii) adopt a plan for distribution of the funds in consultation with the Conference of Clerks of Superior Court.

LEGISLATIVE BRANCH

SECTION 35.4.(a) Section 35.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.4.** For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as

provided in 1994 by the 1993 General Assembly. ~~Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:~~

~~(1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.~~

~~(2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.~~

~~(3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.~~"

SECTION 35.4.(b) G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred eighty-five dollars ($385.00)~~ four hundred four dollars ($404.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 35.4.(c) G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred five thousand three hundred thirty-three dollars ($105,333),~~ one hundred six thousand three hundred thirty-three dollars ($106,333), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 35.4.(d) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2014, shall be increased by one thousand dollars ($1,000).

COMMUNITY COLLEGES PERSONNEL

SECTION 35.5. Section 35.5 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.5.(a)** The annual salaries of all full-time community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall ~~remain unchanged for the 2013-2015 fiscal biennium.~~be increased by one thousand dollars ($1,000).

"**SECTION 35.5.(b)** ~~For the 2013-2015 fiscal biennium, the~~ Effective July 1, 2014, the annual salaries of all full-time community college faculty whose salaries are supported from the State's General Fund shall ~~remain unchanged. The~~ be increased by one thousand dollars ($1,000). The minimum salaries for nine-month, full-time curriculum community college faculty shall ~~also remain unchanged~~ be increased as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	~~$34,314~~$35,314
Associate Degree or Equivalent	~~34,819~~35,819
Bachelor's Degree	~~37,009~~38,009
Masters Degree or Education Specialist	~~38,952~~39,952
Doctoral Degree	~~41,753~~42,753

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members."

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.6.(a) Section 35.6 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.6.(a)** The annual compensation of all full-time University of North Carolina ~~EPA~~ EHRA faculty, ~~EPA~~ EHRA nonfaculty, ~~SPA~~ SHRA employees, and teachers

employed by the North Carolina School of Science and Mathematics shall remain unchanged for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year. Effective for the 2014-2015 fiscal year:

(1) The annual compensation of all full-time University of North Carolina SHRA employees shall be increased by one thousand dollars ($1,000).

(2) The Board of Governors of The University of North Carolina shall have flexibility in allocating funds appropriated in this act for EHRA faculty and EHRA nonfaculty compensation increases (except for teachers at the North Carolina School of Science and Mathematics) pursuant to policies adopted by the Board.

"**SECTION 35.6.(b)** The annual compensation of all full-time employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year."

SECTION 35.6.(b) For the 2014-2015 fiscal year, the Board of Trustees of the North Carolina School of Science and Mathematics shall award the step increases authorized by the Teacher Salary Schedule under Section 9.1 of this act.

STATE AGENCY TEACHERS

SECTION 35.6A. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid on the Teacher Salary Schedule shall receive the experience step increases authorized in Section 9.1 of this act.

STATE HIGHWAY PATROL STEP INCREASES

SECTION 35.6B. Notwithstanding G.S. 20-187.3 for the 2014-2015 fiscal year, the annual salary of a member of the State Highway Patrol whose salary does not exceed the maximum of the applicable salary range shall be increased on a percentage basis according to the date the member received sworn law enforcement officer status with the Patrol, as follows, in the amount of:

(1) Six percent (6%) for a member sworn between 2012 and June 30, 2014.

(2) Five and five-tenths percent (5.5%) for a member sworn between 2008 and 2011.

(3) Five percent (5%) for a member sworn between 2005 and 2007.

SALARY ADJUSTMENT REQUIREMENTS/LIMIT ON CUMULATIVE INCREASES

SECTION 35.7. Section 35.8 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.8.(a)** The annual compensation of all employees subject to or exempt from the ~~State Personnel Act,~~ North Carolina Human Resources Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section or under the Salary Adjustment Fund established by this act.

SECTION 35.8.(b) Salary increases may be awarded during the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year under this ~~section~~ subsection only for the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is (i) funded from local funding sources or (ii) for the purposes of retention or equity.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund; (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources; (iii) faculty, nonfaculty, and other employees for the purposes of retention or equity.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection ~~for each fiscal year~~ during the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(b1) For fiscal year 2014-2015, the cumulative salary adjustment awarded to any employee may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(c) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year.

SECTION 35.8.(d) The salary increase provisions of G.S. 20-187.3 are suspended for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year.

SECTION 35.8.(e) ~~During the 2013-2015 fiscal biennium,~~ For the 2013-2014 fiscal year, notwithstanding G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this section or (ii) compensation bonuses.

SECTION 35.8.(f) Employees of the Lottery Commission shall not receive compensation bonuses during the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year."

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES

SECTION 35.8.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases in amounts set forth in the committee report described in Section 38.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for legislatively mandated salary increases.

SECTION 35.8.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases.

SECTION 35.8.(c) No later than October 1, 2014, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases. This report shall include at least the following information for each State agency for the 2014-2015 fiscal year:

(1) The total amount of funds that the agency received for legislatively mandated salary increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for legislatively mandated salary increases.

(4) The total amount of funds received by the agency for legislatively mandated salary increases that are anticipated to revert at the end of the fiscal year.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 35.9.(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 provide the legislative increase to receipt-supported personnel in the certified budget.

SECTION 35.9.(b) The salary increases provided in this act become effective July 1, 2014, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2014.

SECTION 35.9.(c) Payroll checks issued to employees after July 1, 2014, which represent payment of services provided prior to July 1, 2014, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 35.9.(d) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 35.9.(e) Unless otherwise provided by this act, for the 2014-2015 fiscal year, permanent, full-time State agency employees and State-funded public school employees who work a nine-, 10-, or 11-month work year schedule shall receive the one thousand dollar ($1,000) annual increase provided by this act.

MOST STATE EMPLOYEES

SECTION 35.10.(a) Section 35.7 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.7.** ~~For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:~~ Except as otherwise specifically set forth in this act, the salaries in effect for the following employees on June 30, 2014, shall be increased by one thousand dollars ($1,000):

(1) Permanent full-time State officials and persons whose salaries are set in accordance with the ~~State Personnel Act.~~North Carolina Human Resources Act.

(2) Permanent full-time State officials and persons in positions exempt from the ~~State Personnel Act.~~North Carolina Human Resources Act.

(3) Permanent part-time State ~~employees.~~employees and temporary and permanent hourly State employees, on a prorated and equitable basis subject to the availability of funds in the employing State agency, department, or institution and within regular State Budget Act procedures.

~~(4) Temporary and permanent hourly State employees.~~"

SECTION 35.10.(b) Except as otherwise specifically provided, any employee who is paid on a step schedule who:

(1) Does not receive a step increase, shall receive the one thousand dollar ($1,000) salary increase authorized by this act.

(2) Does receive a step increase, shall not receive the one thousand dollar ($1,000) salary increase authorized by this act. Further, such employees are not eligible to move more than one step on the applicable salary schedule.

SPECIAL ANNUAL LEAVE BONUS

SECTION 35.10A.(a) Any person who is (i) a full-time permanent employee of the State or a community college institution on September 1, 2014, and (ii) eligible to earn annual leave shall have a one-time additional five days of annual leave credited on September 1, 2014.

SECTION 35.10A.(b) The additional leave shall be accounted for separately with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, and by Section 29.14A of S.L. 2005-276 and shall remain available until used, notwithstanding

any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days.

STATE EMPLOYEES REASSIGNMENT/NO THIRTY-FIVE-MILE RADIUS REQUIREMENT

SECTION 35.11.(a) G.S. 126-5(e)(2) reads as rewritten:

"(e) An exempt employee may be transferred, demoted, or separated from his or her position by the department head authorized to designate the exempt position except:

…

(2) When an employee who has 10 years or more cumulative service, including the immediately preceding 12 months, in subject positions prior to placement in an exempt position is removed from an exempt position, for reasons other than just cause, the employee shall be reassigned to a subject position within the same department or agency, or if necessary within another agency, ~~and within a 35 mile radius of the exempt position,~~ at the same grade and salary, including all across-the-board increases since placement in the position designated as exempt, as his most recent subject position."

SECTION 35.11.(b) This section is effective when it becomes law and applies to State employees hired before June 30, 2013.

STUDY GRANTING EXPERIENCE AND EDUCATION CREDIT TO PROSPECTIVE STATE HIGHWAY PATROL MEMBERS WITH PRIOR LAW ENFORCEMENT OR MILITARY EXPERIENCE

SECTION 35.11A. The State Highway Patrol, in consultation with the Criminal Justice Education and Training Standards Commission and the Fiscal Research Division, shall study granting law enforcement experience and education credit to prospective members of the State Highway Patrol who have prior law enforcement or military police experience. No later than February 1, 2015, the State Highway Patrol shall report its findings to the Chairs of the House Appropriations Committee, the Chairs of the Senate Appropriations/Base Budget Committee, the Chairs of the House Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety. The report shall include at least the following:

(1) An analysis of potential costs and benefits of granting experience and education credit to prospective members of the State Highway Patrol who have prior law enforcement or military police experience.

(2) Identification of additional resources that may be needed to facilitate the granting of credit under these circumstances.

(3) Identification of obstacles that may need to be addressed before a program of granting credit under these circumstances can be implemented.

AMEND THE SALARY CONTINUATION LAWS TO PROVIDE THAT ONLY LAW ENFORCEMENT OFFICERS INJURED AND INCAPACITATED AS THE RESULT OF THE HEIGHTENED RISK AND SPECIAL HAZARDS POSED BY THEIR OFFICIAL DUTIES RECEIVE A HIGHER COMPENSATION RATE FOR THE TWO-YEAR PERIOD BEFORE REVERTING TO THE RATES PROVIDED UNDER THE WORKERS' COMPENSATION LAWS

SECTION 35.12.(a) Article 12B of Chapter 143 of the General Statutes reads as rewritten:

"Article 12B.

"Salary Continuation Plan for Certain State Law-Enforcement Officers.

"**§ 143-166.13. Persons entitled to benefits under Article.**

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

(1) State Government Security Officers, Department of Administration;

(2) State Correctional Officers, Division of Adult Correction of the Department of Public Safety;

(3) State Probation and Parole Officers, Division of Adult Correction of the Department of Public Safety;

(4) Sworn State Law-Enforcement Officers with the power of arrest, Division of Adult Correction of the Department of Public Safety;
(5) Alcohol Law-Enforcement Agents, Department of Public Safety;
(6) State Highway Patrol Officers, Department of Public Safety;
(7) General Assembly Special Police, General Assembly;
(8) Sworn State Law-Enforcement Officers with the power of arrest, Department of Health and Human Services;
(9) Juvenile Justice Officers, Division of Juvenile Justice of the Department of Public Safety;
(10) Insurance Investigators, Department of Insurance;
(11) State Bureau of Investigation Officers and Agents, Department of Justice;
(12) Director and Assistant Director, License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation;
(13) Members of License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation, designated by the Commissioner of Motor Vehicles as either "inspectors" or uniformed weigh station personnel;
(14) Utilities Commission Transportation Inspectors and Special Investigators;
(15) North Carolina Ports Authority Police, Department of Transportation;
(16) Sworn State Law-Enforcement Officers with the power of arrest, Department of Environment and Natural Resources;
(17) Sworn State Law-Enforcement Officers with the power of arrest, Department of Public Safety.
(18) Sworn State Law-Enforcement Officers with the power of arrest, Department of Revenue.
(19) Sworn State Law-Enforcement Officers with the power of arrest, University System.

(b) The following persons are entitled to benefits under this Article regardless of whether they are subject to the Criminal Justice Training and Standards Act:

(1) Driver License Examiners injured by accident arising out of and in the course of giving a road test, Division of Motor Vehicles, Department of Transportation;
(2) Employees of the Division of Adult Correction of the Department of Public Safety injured by a direct and deliberate act of an offender supervised by the Division or while performing supervisory duties over offenders which place the employees at risk of such injury.

(c) As used in this Article, the term "eligible person" or "person" shall mean any individual listed under subsection (a) or (b) of this section.

"**§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation Act applicable after two years; duration of payment.**

The salary of any ~~of the above listed persons~~eligible person shall be paid as long as ~~his~~ the person's employment in that position continues, notwithstanding ~~his~~the person's total or partial incapacity to perform any duties to which ~~he~~the person may be lawfully assigned, if that incapacity is the result of an injury ~~by accident or an occupational disease arising out of and in the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, except if that incapacity continues for more than two years from its inception, the person shall, during the further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General Statutes pertaining to workers' compensation. Salary paid to ~~a~~an eligible person pursuant to this Article shall cease upon the resumption of ~~his~~the person's regularly assigned duties, retirement, resignation, or death, whichever first occurs, except that temporary return to duty shall not prohibit payment of salary for a subsequent period of incapacity which can be shown to be directly related to the original injury.

"**§ 143-166.15. Application of § 97-27; how payments made.**

Notwithstanding the provisions of G.S. 143-166.14 of this Article, the persons entitled to benefits shall be subject to the provisions of G.S. 97-27 during the two-year period of payment of full salary. All payments of salary shall be made at the same time and in the same manner as other salaries are paid to other persons in the same department.

"**§ 143-166.16. Effect on workers' compensation and other benefits; application of § 97-24.**

The provisions of G.S. 143-166.14 shall be in lieu of all compensation provided for the first two years of incapacity by G.S. 97-29 and 97-30, but shall be in addition to any other benefits or compensation to which such person shall be entitled under the provisions of the Workers' Compensation Act. The provisions of G.S. 97-24 will commence at the end of the two-year period for which salary is paid pursuant to G.S. 143-166.14.

"**§ 143-166.17. Period of incapacity not charged against sick leave or other leave.**

The period for which the salary of any person is paid pursuant to G.S. 143-166.14 while ~~he~~ the person is incapacitated as a result of an injury ~~by accident or an occupational disease arising out of and in the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, shall not be charged against any sick or other leave to which ~~he~~the person shall be entitled under any other provision of law.

"**§ 143-166.18. Report of incapacity.**

Any person designated in G.S. 143-166.13, who, as a result of an injury ~~by accident arising out of and in the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, is totally or partially incapacitated to perform any duties to which ~~he~~the person may be lawfully assigned, shall report the incapacity as soon as practicable in the manner required by the secretary or other head of the department to which the agency is assigned by statute.

"**§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial Commission; appeal; effect of refusal to perform duties.**

Upon the filing of the report, the secretary or other head of the department or, in the case of the General Assembly, the Legislative Services Officer, shall determine the cause of the incapacity and to what extent the claimant may be assigned to other than ~~his~~the claimant's normal duties. The finding of the secretary or other head of the department shall determine the right of the claimant to benefits under this Article. Notice of the finding shall be filed with the North Carolina Industrial Commission. ~~Unless the claimant, within 30 days after he receives notice, files with the North Carolina Industrial Commission, upon the form it shall require, a request for a hearing, the finding of the secretary or other department head shall be final.~~The finding of the secretary or other department head shall be final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing with the North Carolina Industrial Commission using a form required by the Commission. Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear the matter in accordance with its regularly established procedure for hearing claims filed under the Worker's Compensation Act, and shall report its findings to the secretary or other head of the department. From the decision of the North Carolina Industrial Commission, an appeal shall lie as in other matters heard and determined by the Commission. Any person who refuses to perform any duties to which ~~he~~ the person may be properly assigned as a result of the finding of the secretary, other head of the department or of the North Carolina Industrial Commission shall be entitled to no benefits pursuant to this Article as long as the refusal continues. Any eligible person whose salary continuation benefits are terminated by the secretary or other head of the department shall be immediately entitled to benefits under G.S. 97-29 or G.S. 97-30. Such benefits under G.S. 97-29 or G.S. 97-30 shall only be suspended or terminated by the employer pursuant to G.S. 97-18.1.

"**§ 143-166.20. Subrogation.**

The same rights and remedies set forth in G.S. 97-10.2 shall apply in all third party liability cases occurring under this Article, including cases involving the right of the affected State agency to recover the salary paid to an injured officer during ~~his~~the officer's period of disability."

SECTION 35.12.(b) This section becomes effective October 1, 2014, and applies to injuries occurring on or after that date.

LOTTERY COMMISSION/LIMITS ON CERTAIN SALARY INCREASES

SECTION 35.12A. For the 2014-2015 fiscal year, notwithstanding the provisions of G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission shall not expend funds for merit-based or performance-based increases.

SALARY-RELATED CONTRIBUTIONS

SECTION 35.13.(a) Section 35.15(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.15.(b)** Effective July 1, 2013, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the ~~2013-2015 fiscal biennium~~2013-2014 fiscal year are (i) fourteen and sixty-nine hundredths percent (14.69%) – Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) – State Law Enforcement Officers; (iii) twelve and sixty-eight hundredths percent (12.68%) – University Employees' Optional Retirement Program; (iv) twelve and sixty-eight hundredths percent (12.68%) – Community College Optional Retirement Program; (v) thirty-three and forty-one hundredths percent (33.41%) – Consolidated Judicial Retirement System; and (vi) five and forty hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement."

SECTION 35.13.(b) Effective July 1, 2014, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2014-2015 fiscal year are (i) fifteen and twenty-one hundredths percent (15.21%) – Teachers and State Employees; (ii) twenty and twenty-one hundredths percent (20.21%) – State Law Enforcement Officers; (iii) twelve and seventy-four hundredths percent (12.74%) – University Employees' Optional Retirement Program; (iv) twelve and seventy-four hundredths percent (12.74%) – Community College Optional Retirement Program; (v) thirty-two and seventy hundredths percent (32.70%) – Consolidated Judicial Retirement System; and (vi) five and forty-nine hundredths percent (5.49%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty-nine hundredths percent (5.49%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.13.(c) Section 35.15(d) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.15.(d)** Effective July 1, 2014, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – ~~four thousand two hundred twenty-four dollars ($4,224)~~ four thousand one hundred seventy-nine dollars ($4,179) and (ii) non-Medicare eligible employees and retirees – ~~five thousand four hundred thirty-five dollars ($5,435).~~five thousand three hundred seventy-eight dollars ($5,378)."

PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 35.14.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(ttt) From and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by one percent (1%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30, 2014, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2013, and June 30, 2014."

SECTION 35.14.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(ee) From and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by one percent (1%) of the allowance payable on June 1, 2014. Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30, 2014, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2013, and June 30, 2014."

SECTION 35.14.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(y) In accordance with subsection (a) of this section, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2014, shall be increased by one percent (1%) of the allowance payable on June 1, 2014. Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2014, but before June 30, 2014, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2014, and June 30, 2014."

USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT SYSTEM CONTRIBUTION INCREASES

SECTION 35.15.(a) The appropriations set forth in Section 2.1 of this act include appropriations for State Retirement System contribution increases in amounts set forth in the committee report described in Section 38.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for State Retirement System contribution increases.

SECTION 35.15.(b) If the Director of the Budget determines that funds appropriated to a State agency for increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for State Retirement System contribution increases.

SECTION 35.15.(c) No later than October 1, 2014, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for State Retirement System contribution increases. This report shall include at least the following information for each State agency for the 2014-2015 fiscal year:

(1) The total amount of funds that the agency received for State Retirement System contribution increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for State Retirement System contribution increases.

(4) The total amount of funds received by the agency for State Retirement System contribution increases that are anticipated to revert at the end of the fiscal year.

FUNDING FOR NORTH CAROLINA PUBLIC SCHOOL TEACHERS' AND PROFESSIONAL EDUCATORS' INVESTMENT PLAN

SECTION 35.15A. Notwithstanding the provisions of G.S. 135-151(e), the assets of the Qualified Excess Benefit Arrangement (QEBA) established under Article 7 of Chapter 135 of the General Statutes may be used to loan the sum of one hundred fifty thousand dollars ($150,000) to the administrative account of the North Carolina Public School Teachers' and Professional Educators' Investment Plan established under G.S. 115C-341.2. The Plan shall repay the QEBA when the balance in its administrative account exceeds the sum of two hundred fifty thousand dollars ($250,000). The repayment shall be made with interest at a rate set by the Board of Trustees established under G.S. 135-6.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 35.15C. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of ~~ninety-five dollars ($95.00)~~ ninety-nine dollars ($99.00) per month for 20 years' creditable military service with an additional ~~nine dollars fifty cents ($9.50)~~ nine dollars ninety cents ($9.90) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred ninety dollars ($190.00)~~ one hundred ninety-eight dollars ($198.00) per month. The requirements for a pension are that each member shall:

(1) Have served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.

(2) Have at least 15 years of the aforementioned service as a member of the North Carolina National Guard.

(3) Have received an honorable discharge from the North Carolina National Guard."

ALTERNATIVE HEALTH BENEFIT COVERAGE FOR NONPERMANENT FULL-TIME STATE EMPLOYEES

SECTION 35.16.(a) Section 1 of S.L. 2013-324 is repealed. The amendment to G.S. 135-48.43(a)(2) made in Section 4 of S.L. 2013-324 is repealed.

SECTION 35.16.(b) G.S. 135-48.22 reads as rewritten:

"**§ 135-48.22. Board powers and duties.**

The Board of Trustees shall have the following powers and duties:

(1) Approve benefit programs, as provided in G.S. 135-48.30(a)(2).

(2) Approve premium rates, co-pays, deductibles, and coinsurance percentages and maximums for the Plan, as provided in G.S. 135-48.30(a)(2).

(2a) Approve the benefit program, premium rates, co-pays, deductibles, and coinsurance percentages and maximums for the coverage offered under G.S. 135-48.40(e).

(3) Oversee administrative reviews and appeals, as provided in G.S. 135-48.24.

(4) Approve large contracts, as provided in G.S. 135-48.33(a).

(5) Consult with and advise the State Treasurer as required by this Article and as requested by the State Treasurer.

(6) Develop and maintain a strategic plan for the Plan."

SECTION 35.16.(c) G.S. 135-48.40 is amended by adding a new subsection to read:

"(e) Other Contributory Coverage. – Any employee of an employing unit is eligible for coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43 and of this section, if (i) the employee's employing unit determines that the employee is a full-time employee and (ii) the employee does not qualify for coverage under subdivision (1), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the full-time status of an employee shall be determined by the employing unit, in its sole discretion, in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The coverage offered and the contribution required for coverage under this section shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage shall do all of the following:

(1) Be designed to meet the requirements of minimum essential coverage under the Patient Protection and Affordable Care Act, P.L. 111-148, and the applicable regulations, as amended (Affordable Care Act).

(2) Provide no greater coverage than a bronze-level plan, as defined under the Affordable Care Act.

(3) Minimize the required employer contribution in an administratively feasible manner."

SECTION 35.16.(d) G.S. 135-48.43(a)(2) reads as rewritten:

"(2) New employees may apply for coverage to be effective on the first day of the month following employment, or on a like date the following month if the employee has ~~enrolled.~~enrolled, except that the effective date of coverage for employees who become eligible in accordance with

G.S. 135-48.40(e) will be determined by the employing unit in a manner that is consistent with section 4980H of the Internal Revenue Code and the applicable regulations, as amended."

SECTION 35.16.(e) Subsection (a) of this section is effective when this act becomes law. Subsections (b) through (d) of this section become effective January 1, 2015, and apply to plan years beginning on or after that date.

CLARIFY THAT RE-HIRED STATE RETIREES SHALL BE OFFERED COVERAGE IN STATE HEALTH PLAN AS ACTIVE EMPLOYEES RATHER THAN AS RETIREES

SECTION 35.16A.(a) G.S. 135-48.41 is amended by adding the following new subsection:

"**§ 135-48.41. Additional eligibility provisions.**

…

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

SECTION 35.16A.(b) The second paragraph of Section 35.15(a) of S.L. 2013-360 is repealed.

SEPARATE INSURANCE BENEFITS PLAN FOR LAW ENFORCEMENT

SECTION 35.17. Section 35.17(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.17.(c)** For each fiscal year of the 2013-2015 fiscal biennium, the Department of State Treasurer shall calculate the total compensation for which the Department of Public Safety and Department of Justice have paid retirement contributions on behalf of sworn law enforcement officers. The Department of State Treasurer shall multiply this total compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014 fiscal year and by ~~five and fifty-five hundredths percent (5.55%)~~ five and forty-nine hundredths percent (5.49%) for months during the 2014-2015 fiscal year and shall ensure that the General Fund is fully reimbursed for these costs by executing periodic transfers of the resulting amounts from the Separate Insurance Benefits Plan established under G.S. 143-166.60 to the General Fund."

PART XXXVI. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 36.1. Section 36.2(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 36.2.(a)** There is appropriated from the General Fund for the 2013-2015 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	**2013-2014**	**2014-2015**
Department of Administration		
Sandhills State Veterans Facility – Committal Enclosure	$ 125,000	-
Goldsboro State Veterans' Cemetery	600,000	-
Department of Cultural Resources		
NC History Museum		1,500,000
Department of Environment and Natural Resources		
Water Resources Development Projects	11,522,000	5,810,000
Department of Justice		
Western Crime Lab Planning	1,442,000	-
Department of Public Safety		
Samarkand Training Facility	5,250,000	~~5,173,000~~

National Guard	5,000,000	3,250,000
The University of North Carolina System		
University of North Carolina Asheville – Land Purchases	2,000,000	-
Appalachian State University – Health Sciences Building ~~Advance~~ Planning	2,000,000	3,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 27,939,000**	**~~$8,423,000~~ $13,560,000**"

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.2.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated nine million six hundred fifty thousand dollars ($9,650,000) in federal funds.

Name of Project		**2014-2015**
(1)	B. Everett Jordan Lake Water Supply Storage	$ 200,000
(2)	Wilmington Harbor Maintenance – Disposal Area 8 & 10	4,000,000
(3)	Morehead City Harbor Maintenance	-
(4)	Wilmington Harbor Deepening	600,000
(5)	Wilmington Harbor Improvements Feasibility Study	200,000
(6)	Natural Resources Conservation Service (NRCS) Equipment Projects	2,000,000
(7)	Planning Assistance to Communities	25,000
(8)	Hookerton, NC – Stream Bank Erosion Repair (Sec 14)	410,000
(9)	State/Local Water Resource Development Grants	1,000,000
TOTALS		**$ 8,435,000**

SECTION 36.2.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million eight hundred ten thousand dollars ($5,810,000) appropriated for water resources development projects in Section 36.2(a) of S.L. 2013-360, as amended by Section 36.1 of this section. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

Name of Project		**Amount Carried Forward**
(1)	Wilmington Harbor Maintenance – Disposal Area 8 & 10	$ 2,000,000
(2)	Wilmington Harbor Deepening	600,000
(3)	Planning Assistance to Communities	25,000
TOTALS		**$ 2,625,000**

SECTION 36.2.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2014-2015 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) U.S. Army Corps of Engineers project feasibility studies.
(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in the 2014-2015 fiscal year.
(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2015-2016 fiscal year.

SECTION 36.2.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal

Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.2.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.3. 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 for FY 2014-2015**
Department of Administration	
Salisbury Veterans Home Renovation	$ 3,715,000
Department of Agriculture and Consumer Services	
Alexander, Richmond County, District Three Head Quarters	
Site Development and Modular Placement	210,000
Alexander County Office Purchase	100,000
Tidewater Research Station – Deer Fence	80,000
DuPont Recreational State Forest – Trail Improvement	100,000
Raleigh Farmers Market	
Parking	200,000
New Vendor Building	700,000
Research Stations	
Safety Improvements	80,000
Land Acquisitions	1,000,000
Jordan Lake Classroom Development and Modular Placement	75,000
Western North Carolina Agricultural Center	
Livestock Improvements	3,000,000
E&F Barns Roof Replacements	500,000
Restrooms	750,000
North Carolina State Fairgrounds	
HVAC Improvements	1,500,000
Renovations to Existing Buildings	2,000,000
Infrastructure Repairs	1,550,000
Horse Complex Improvements	2,000,000
Mountain Island Educational Forest – Visitor and Interpretive Center	3,000,000
Holmes Educational State Forest – Repair and Renovation of Facilities	15,000
Tuttle Education Forest – Repair and Renovation of Facilities	15,000
Piedmont Research Station – New Bridge	200,000
Western North Carolina Farmers Market – Paving Improvements	100,000
Rendezvous Mountain Education State Forest – Repair and Renovation	15,000
Umstead Research Farm-Infrastructure	800,000

Department of Cultural Resources	
Museum of Art – East Building Technology Improvement	1,118,750
Department of Environment and Natural Resources	
NC Zoo – Solar Pointe Restrooms	475,000
Fort Fisher Aquarium – Renovations	5,800,000
Department of Justice	
Raleigh Crime Lab Renovation	807,000
Department of Public Safety	
Caledonia Farms Grain Station	361,340
Maury Correctional Institution – Industrial Area Uplift	2,830,499
Raleigh Facilities Maintenance – Latrine Renovations	165,000
Raleigh Troop Motor Pool – Latrine Renovations	130,000
Camp Butner Training Site	
Range Control Building	738,000
Training Building	495,000
Multipurpose Building	800,000
Water Tower and System Improvements	494,000
Land Buffer Acquisitions	300,000
Youngsville Field Maintenance Shop – Lighting Upgrade	95,000
High Point Field Maintenance Shop	
Office and Storage Building	525,000
Military- Owned Vehicle Lot Paving	525,000
Morrisville Army Aviation Support Facility	
Latrine Renovations	88,000
Guard Shack and Access Improvements	525,000
Fort Bragg Regional Training Site	
Fire Alarm System	27,000
Wash Rack Addition	525,000
Red Springs Field Maintenance Shop Expansion	788,000
Winston-Salem Field Maintenance Shop – Addition and Alteration	775,000
Wildlife Resources Commission	
Land Acquisition	3,750,000
Fishing Access Areas – New Construction	200,000
Boating Access Areas	
New Construction	900,000
Renovations	900,000
Balsam Depot – Renovation	1,300,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$47,142,589**

JUVENILE FACILITIES PROJECTS

SECTION 36.4.(a) Of the funds allocated to the Department of Public Safety from the Reserve for Repairs and Renovations for the 2013-2014 fiscal year, the sum of one million seven hundred seventy-four thousand dollars ($1,774,000) for Dobbs Youth Development Center Kitchen Renovations may be used by the Department to support construction, expansions, renovations, and repairs necessary to implement the Department's 2014 Juvenile Justice Facilities Strategic Plan. Notwithstanding G.S. 143C-4-3, no report to the Joint Legislative Commission on Governmental Operations on this allocation shall be required.

SECTION 36.4.(b) Section 16D.9 of S.L. 2013-360 is repealed.

USE OF CERTAIN FUNDS CARRIED FORWARD BY UNC FOR CAPITAL PROJECTS

SECTION 36.5. G.S. 143C-8-12 reads as rewritten:

"**§ 143C-8-12. University system capital improvement projects from sources that are not General Fund sources: approval of new project or change in scope of existing project.**

(a) Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations.

(b) For purposes of this section, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-4-3(b)."

REPEAL UNC CHANCELLORS' AUTHORITY TO APPROVE CERTAIN MAINTENANCE PROJECTS

SECTION 36.6. G.S. 116-13.1 reads as rewritten:

"**§ 116-13.1. Capital ~~facilities; reports; chancellors may authorize certain repair, renovation, and maintenance projects.~~facilities; reports.**

…

~~(c) Approval of Certain Repair and Maintenance Projects. Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval.~~"

EXPAND UNC LEASING AUTHORITY

SECTION 36.7.(a) G.S. 116-198.34(5) reads as rewritten:

"**§ 116-198.34. General powers of Board of Governors.**

The Board may exercise any one or more of the following powers:

…

(5) To acquire, hold, lease, and dispose of real and personal property in the exercise of its powers and the performance of its duties hereunder and to lease all or any part of any project or projects and any existing facilities upon such terms and conditions as the Board determines, subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

Notwithstanding G.S. 143-341 and Chapter 146 of the General Statutes, an acquisition for a period of 10 years or less or a disposition of ~~65 years~~ 99 years or less by easement, lease, or rental agreement of real property or space in any building on the Centennial Campus, on the Horace Williams Campus, on a Millennial Campus, or on a Kannapolis Research Campus shall not require the approval of the Governor and the Council of State. The Board shall report the acquisitions or dispositions described in this paragraph of this subdivision to the Department of Administration for inclusion in the inventory maintained by Department pursuant to G.S. 143-341(4)a. and b. and the information regarding those transactions that is required by G.S. 143-341(4)a. and b. All other acquisitions and dispositions made under this subdivision for a period in excess of the terms described in this paragraph of this subdivision are subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes."

SECTION 36.7.(b) Section 11.10(b) of S.L. 2013-360, as amended by Section 3.12 of S.L. 2013-363, reads as rewritten:

"**SECTION 11.10.(b)** ~~This section expires June 30, 2015.~~Subsection (d) of Section 9.10 of S.L. 2012-142 is repealed."

INCREASE NATIONAL GUARD FLEXIBILITY WITH RESPECT TO CERTAIN CAPITAL PROJECTS

SECTION 36.8.(a) G.S. 143C-8-12, as amended by Section 36.5 of this act, reads as rewritten:

"**§ 143C-8-12. ~~University system capital~~Capital improvement projects from sources ~~that are not General Fund sources: approval of new project or change in scope of existing project.~~other than the General Fund.**

(a) University Projects. – Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may ~~approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations.~~approve any of the following:

(1) Expenditures to plan a capital improvement project of The University of North Carolina, the planning for which is to be funded entirely with non-General Fund money.

(2) Expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money.

(3) A change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money.

(b) Carryforward Funds. – For purposes of this section, the term 'non-General Fund money' includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-4-3(b).

(c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the North Carolina National Guard may approve expenditures for a capital project of the North Carolina National Guard if (i) the project will be funded entirely with federal funds and (ii) any operating costs associated with the project will be paid entirely with federal funds.

(d) Reporting. – The Board of Governors and the National Guard shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

SECTION 36.8.(b) Section 36.11(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 36.11.(c)** Where the actual costs are different from the estimated costs under subsection (a) of this section, the Adjutant General of the National Guard may adjust the allocations among projects as needed. However, State funds shall not be allocated to a project in excess of the maximum amount of State funds authorized to be allocated to the project under subsection (a) of this section. If any projects funded under subsection (a) of this section are delayed or cancelled and the budgeted State funds cannot be used during the 2013-2015 fiscal biennium, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) Future project feasibility studies.

(2) Survey, testing, and permitting.

(3) Planning and execution for reversion of facilities no longer in use.

(4) Armory and facilities projects approved by the Congress of the United States that are not listed in subsection (a) of this section and that require State-matching funds."

SECTION 36.8.(c) Article 8 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-129.6. Exemption for certain training projects of the North Carolina National Guard.**

Expenditures, excluding design fees, for a capital project, construction, or repair work (i) that is for training purposes and for a single exercise or undertaking at a National Guard facility; (ii) that has a total cost that does not exceed applicable federal limits; and (iii) that will be funded entirely with federal funds, shall not be subject to this Article."

USS NORTH CAROLINA BATTLESHIP HULL REPAIRS

SECTION 36.10. The General Assembly authorizes USS North Carolina Battleship hull repairs to be funded at a maximum cost of thirteen million dollars ($13,000,000) in accordance with this section. The sum of three million dollars ($3,000,000) of the proceeds of bonds issued pursuant to Section 36.12(f)(7) of this act shall be used for this project. The remainder of the project shall be funded with receipts or from other non-General Fund sources available to the Department of Cultural Resources, and those funds are hereby appropriated for that purpose.

TWO-THIRDS BONDS ACT OF 2014

SECTION 36.12.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2014."

SECTION 36.12.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities.

SECTION 36.12.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a State capital facility.

b. The cost of engineering, architectural, and other consulting services as may be required.

c. Administrative expenses and charges.

d. The cost of providing personnel to ensure effective project management.

e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of bond and note issuance, to the extent and as determined by the State Treasurer.

f. Finance charges, reserves for debt service, and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.

g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of any bond or note.

h. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

i. Any other costs and expenses necessary or incidental to the purposes of this section.

(3) Credit facility. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association, or other banking institution, an insurance company, reinsurance company, surety company or other insurance institution, a corporation, investment banking firm, or other investment institution, or any financial institution or other similar provider of a credit facility, which provider may be located within or without the United States, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption, or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including the following:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.

b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.

c. Such other provision as the State Treasurer may determine to be consistent with this act and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) State. – The State of North Carolina, including any State agency.

(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 36.12.(d) Authorization of Bonds and Notes. – The State Treasurer is authorized, by and with the consent of the Council of State, to issue and sell at one time or from time to time general obligation bonds of the State to be designated "State of North Carolina General Obligation Bonds," with any additional designations as may be determined, or notes of the State, in the aggregate principal amount of up to three hundred six million eight hundred ninety-eight thousand dollars ($306,898,000), this amount being not in excess of two-thirds of the amount by which the State's outstanding indebtedness was reduced during the fiscal biennium that ended June 30, 2013, for the purpose of providing funds, with any other available funds, for the purposes authorized by this section.

SECTION 36.12.(e) Uses of Bond and Note Proceeds. – The proceeds of bonds and notes shall be used for financing the cost of State capital facilities as provided in this section. Any additional moneys which may be received by grant from the United States of America or any agency or department thereof or from any other source to aid in financing the cost of any State capital facilities authorized by this section may be placed by the State Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the terms of the grant, without regard to any limitations imposed by this section.

The proceeds of bonds and notes may be used with any other moneys made available by the General Assembly for the cost of State capital facilities, including the proceeds of any other State bond or special indebtedness issues, whether heretofore made available or which may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller, which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

The Office of State Budget and Management shall provide semiannual reports to the Chairs of the Senate Appropriations Committees and the House Appropriations Subcommittees and to the Fiscal Research Division on the expenditure of moneys authorized by this section. The reports shall continue until the completion of the projects provided for in this section.

SECTION 36.12.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated and expended as provided in this subsection:

(1) A maximum aggregate principal amount of fifteen million four hundred thousand dollars ($15,400,000) to finance the capital facility costs of a Western Crime Lab.

(2) A maximum aggregate principal amount of two hundred six million dollars ($206,000,000) to finance the capital facility costs of projects previously authorized or subsequently to be authorized by the General Assembly to be financed pursuant to Article 9 of Chapter 142 of the General Statutes, but for which some or all of the amount of bonds authorized to be issued under that Article have not yet been issued. To the extent that bonds and notes are issued pursuant to this subdivision, there shall be a corresponding reduction in the amount of debt that has been authorized to be issued but has not been issued pursuant to Article 9 of Chapter 142 of the General Statutes.

(3) A maximum aggregate principal amount of forty-two million three hundred twenty-five thousand dollars ($42,325,000) to finance the capital facility costs of renovating the Albemarle Building.

(4) A maximum aggregate principal amount of five million one hundred seventy-three thousand dollars ($5,173,000) to finance the capital facility costs of a Department of Public Safety Samarkand Training Facility.

(5) A maximum aggregate principal amount of two million dollars ($2,000,000) to finance the capital facility costs of repairing the roof of the McGough Arena at the Western North Carolina Agricultural Center.

(6) A maximum aggregate principal amount of three million dollars ($3,000,000) to finance the capital facility costs of Hammocks Beach State Park land acquisition.

(7) A maximum aggregate principal amount of three million dollars ($3,000,000) to finance the capital facility costs of completing a cofferdam around the USS North Carolina Battleship.

(8) A maximum aggregate principal amount of thirty million dollars ($30,000,000) to finance the capital facility costs of repairs and renovations to State facilities, the proceeds of which shall be allocated to the Reserve for Repairs and Renovations and reallocated and expended pursuant to Section 36.5 of S.L. 2013-360.

SECTION 36.12.(g) Issuance of Bonds and Notes. –

(1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State, or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the

Governor and the State Treasurer, the bonds or notes shall also bear a manual signature which may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons, who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of purchase, or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available moneys.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:
   1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
   2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
   3. For the renewal of any loan evidenced by notes authorized in this section;
   4. For the purposes authorized in this section; and
   5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes

being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government, or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the obligations described in (i), (ii), or (iii) above having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable, or if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance, or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities which may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest-rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 36.12.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 36.12.(i) Interpretation of Section. –

(1) Additional method. – The foregoing subsections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to effect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section which can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 36.12.(j) The State, upon the direction of the Director of the Budget, may finance with the proceeds of special indebtedness the capital facility costs of a Western Crime Lab, renovation of the Albemarle Building, and renovation of Department of Public Safety Samarkand Training Facility, approved for financing with proceeds of bonds authorized pursuant to this act. If the financing is to be provided by special indebtedness, then such indebtedness may be issued or incurred before the enactment of this act or during or beyond the fiscal biennium ending June 30, 2015. The amount of financing for the Western Crime Lab, Albemarle Building, and Samarkand Training Facility from special indebtedness and the proceeds of two-thirds bonds issued pursuant to this act shall not exceed sixty-two million eight hundred ninety-eight thousand dollars ($62,898,000).

SECTION 36.12.(k) This section is effective when it becomes law.

TRANSFER UNSPENT CAPITAL FUNDS TO PROJECT RESERVE ACCOUNT

SECTION 36.14. G.S. 143C-8-11 reads as rewritten:

"**§ 143C-8-11. Reversion of ~~appropriation and lapse~~ appropriation; lapse of project ~~authorization.~~authorization; transfer of funds remaining after project completion.**

…

(c) Funds Remaining After Project Completion. – The State Controller shall transfer any balance of State funds appropriated for a capital project that remains unspent and unencumbered two years after completion of the project in accordance with this section. If applicable law requires a particular disposition of the funds, then the transfer shall be made in accordance with that requirement. Otherwise, the transfer shall be made in accordance with the following requirements:

(1) If the funds were initially allocated from the Reserve for Repairs and Renovations, then the funds shall be transferred to that Reserve.

(2) All other funds shall be transferred to the Project Reserve Account created by G.S. 143C-8-10."

REPORT ON APPALACHIAN STATE UNIVERSITY HEALTH SCIENCES BUILDING

SECTION 36.16.(a) No later than October 1, 2014, Appalachian State University shall submit to the Board of Governors and to the Fiscal Research Division a detailed plan for the construction and operation of the Health Sciences Building that will be located on its campus. The report shall include information about the construction planning as well as several options for financing the construction and operation of the facility.

SECTION 36.16.(b) The General Assembly authorizes planning of the Health Sciences Building at Appalachian State University in an amount not to exceed the sum of seven million two hundred two thousand eight hundred eighty-three dollars ($7,202,883). This amount represents the total amount authorized to be spent for planning this project. The General Assembly has appropriated five million dollars ($5,000,000) for this purpose in the 2013-2015 fiscal biennium and does not intend to appropriate additional funds for planning this project in the future. Accordingly, the General Assembly hereby authorizes the remaining sum of two million two hundred two thousand eight hundred eighty-three dollars ($2,202,883) to be funded with receipts or from other non-General Fund sources available to Appalachian State University during the 2014-2015 fiscal year.

PART XXXVII. FINANCE PROVISIONS

CLARIFY "NET GENERAL FUND TAX COLLECTED" FOR PURPOSES OF THE CORPORATE INCOME TAX RATE REDUCTION TRIGGER

SECTION 37.1.(a) G.S. 105-130.3C reads as rewritten:

"**§ 105-130.3C. Rate reduction trigger.**

(a) Trigger. – If the amount of net General Fund tax collected in fiscal year 2014-2015 or fiscal year 2015-2016 exceeds the ~~anticipated General Fund tax collections~~ targeted amount for that fiscal year, the rate of tax set in G.S. 105-130.3 may be decreased in accordance with this section effective for the taxable year that begins on the following January 1. ~~The amount of net General Fund tax collected for a fiscal year is the amount reported by the State Controller in the State's Comprehensive Annual Financial Report, required to be prepared under G.S. 143B-426.39.~~ The Secretary must ~~monitor the net General Fund tax collections and~~ notify taxpayers if the rate decreases under this section. The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2014-2015 exceed the targeted amount of twenty billion two hundred million dollars ($20,200,000,000). The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2015-2016 exceed the targeted amount of twenty billion nine hundred seventy-five million dollars ($20,975,000,000). Effective for taxable years beginning on or after January 1, 2017, the rate of tax set in G.S. 105-130.3 is the rate determined in accordance with this section.

(b) Tax Collections. – For purposes of this section, the amount of net General Fund tax collected for a fiscal year is the amount of net revenue as reported by the Department of Revenue's June Statement of Collection as "Total General Fund Revenue" for the 12-month period that ended the previous June 30, modified as follows:

(1) Less any large one-time, nonrecurring revenue as reported to the Fiscal Research Division of the General Assembly by the Department and verified by the Fiscal Research Division of the General Assembly.

(2) Adjusted by any changes in net collections resulting from the suspension or termination of transfers out of General Fund tax collections."

SECTION 37.1.(b) This section is effective when it becomes law.

MODIFY COUNTY HOLD HARMLESS FOR REPEALED LOCAL TAXES

SECTION 37.2.(a) Effective July 1, 2014, G.S. 105-523 reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~five hundred thousand dollars ($500,000)~~ three hundred seventy-five thousand dollars

($375,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

…

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~five hundred thousand dollars ($500,000).~~three hundred seventy-five thousand dollars ($375,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

…."

SECTION 37.2.(b) Effective July 1, 2015, G.S. 105-523, as amended by subsection (a) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~three hundred seventy-five thousand dollars ($375,000)~~two hundred fifty thousand dollars ($250,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

…

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~three hundred seventy-five thousand dollars ($375,000).~~two hundred fifty thousand dollars ($250,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

…."

SECTION 37.2.(c) Effective July 1, 2016, G.S. 105-523, as amended by subsection (b) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~two hundred fifty thousand dollars ($250,000)~~one hundred twenty-five thousand dollars ($125,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

…

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~two hundred fifty thousand dollars ($250,000).~~one hundred twenty-five thousand dollars ($125,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

…."

SECTION 37.2.(d) Effective July 1, 2017, G.S. 105-523, as amended by subsection (c) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county ~~benefit by at least one hundred twenty-five thousand dollars ($125,000) annually~~be held harmless from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

…

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal ~~year, less one hundred twenty-five thousand dollars ($125,000).~~year. A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

…."

MODULAR/MANUFACTURED HOME SALES TAX

SECTION 37.3.(a) G.S. 105-164.13 is amended by adding a new subdivision to read:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

…

(64) Fifty percent (50%) of the sales price of a modular home or a manufactured home, including all accessories attached when delivered to the purchaser."

SECTION 37.3.(b) This section becomes effective September 1, 2014, and applies to sales made on or after that date.

PART XXXVIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 38.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 38.2.(a) The Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets for Senate Bill 744, dated July 30, 2014, which was distributed in the Senate and the House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 38.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2014-2015 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the budget to the General Assembly in May 2014 in the document "The Governor of North Carolina's Recommended Budget Adjustments" for the 2014-2015 fiscal year for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 38.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO 2014-2015 BUDGET/PUBLICATION

SECTION 38.3.(a) The Fiscal Research Division of the Legislative Services Commission shall issue a report on budget actions taken by the 2013 Regular Session of the General Assembly in 2014. The report shall be in the form of a revision of the Committee Report adopted for Senate Bill 744 pursuant to G.S. 143C-5-5 and shall include all

modifications made to the 2014-2015 budget prior to sine die adjournment of the 2013 Regular Session.

SECTION 38.3.(b) The Director of the Fiscal Research Division of the Legislative Services Commission shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

MOST TEXT APPLIES ONLY TO 2014-2015 FISCAL YEAR

SECTION 38.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2014-2015 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2014-2015 fiscal year.

EFFECT OF HEADINGS

SECTION 38.5. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a part.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 38.6.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2013-360, S.L. 2013-363, S.L. 2013-364, and S.L. 2013-397 remain in effect.

SECTION 38.6.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2014-2015 fiscal year in S.L. 2013-360, S.L. 2013-363, S.L. 2013-364, and S.L. 2013-397 that applied to appropriations to particular agencies or for particular purposes apply to the newly enacted appropriations and budget reductions of this act for those same particular purposes.

SEVERABILITY

SECTION 38.7. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 38.8. Except as otherwise provided, this act becomes effective July 1, 2014.

In the General Assembly read three times and ratified this the 2nd day of August, 2014.

s/ Chad Barefoot
Presiding Officer of the Senate

s/ Thom Tillis
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:10 a.m. this 7th day of August, 2014