

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

FILED SENATE
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S.B. 842
PRINCIPAL CLERK

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SENATE DRS35537-MDfa-117 (05/13)

Short Title: Governor's Budget.

(Public)

Sponsors: Senators Brown, Harrington, Hunt (Primary Sponsors); and B. Jackson.

Referred to:

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

5 The General Assembly of North Carolina enacts:

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

8
9 **TITLE**

10 **SECTION 1.1.** This act shall be known as the "Current Operations and Capital
11 Improvements Appropriations Act of 2014."

12
13 **INTRODUCTION**

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

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

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

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

28 Appropriations from the General Fund of the State for the maintenance of the State
29 departments, institutions, and agencies, and for other purposes as enumerated, are made for the
30 fiscal biennium ending June 30, 2015, according to the following schedule:

31
32 **Current Operations – General Fund**

2014-2015

33
34 **EDUCATION**

35
36 Community Colleges System Office

16,866,780



* D R S 3 5 5 3 7 - M D F A - 1 1 7 *

1		
2	Department of Public Instruction	46,358,028
3		
4	University of North Carolina – Board of Governors	
5	Appalachian State University	0
6	East Carolina University	
7	Academic Affairs	(620,650)
8	Health Affairs	0
9	Elizabeth City State University	0
10	Fayetteville State University	0
11	North Carolina Agricultural and Technical State	
12	University	0
13	North Carolina Central University	0
14	North Carolina State University	
15	Academic Affairs	1,839,185
16	Agricultural Extension	0
17	Agricultural Research	0
18	University of North Carolina at Asheville	0
19	University of North Carolina at Chapel Hill	
20	Academic Affairs	0
21	Health Affairs	0
22	Area Health Education Centers	0
23	University of North Carolina at Charlotte	0
24	University of North Carolina at Greensboro	0
25	University of North Carolina at Pembroke	0
26	University of North Carolina School of the Arts	0
27	University of North Carolina at Wilmington	0
28	Western Carolina University	259,124
29	Winston-Salem State University	(220,272)
30	General Administration	0
31	University Institutional Programs	(50,655,484)
32	Related Educational Programs	0
33	North Carolina School of Science and Mathematics	0
34	Aid to Private Colleges	0
35		
36	Total University of North Carolina – Board of Governors	(49,398,097)
37		
38	HEALTH AND HUMAN SERVICES	
39		
40	Department of Health and Human Services	
41	Central Management and Support	(2,642,150)
42	Division of Aging and Adult Services	28,890
43	Division of Blind Services/Deaf/Hard of Hearing	59,830
44	Division of Child Development and Early Education	(37,488,213)
45	Health Service Regulation	(61,000)
46	Division of Medical Assistance	(74,441,942)
47	Division of Mental Health, Developmental Disabilities,	
48	and Substance Abuse Services	3,828,910

1	NC Health Choice	(9,749,000)
2	Division of Public Health	(2,953,983)
3	Division of Social Services	1,104,174
4	Division of Vocation Rehabilitation	(278,376)
5		
6	Total Health and Human Services	(122,592,860)
7		
8	NATURAL AND ECONOMIC RESOURCES	
9		
10	Department of Agriculture and Consumer Services	(1,608,350)
11		
12	Department of Commerce	
13	Commerce	2,938,182
14	Commerce State-Aid	0
15		
16	Wildlife Resources Commission	(110,032)
17	Department of Environment and Natural Resources	3,420,059
18		
19	Department of Labor	(78,620)
20		
21	JUSTICE AND PUBLIC SAFETY	
22		
23	Department of Public Safety	12,527,186
24		
25	Judicial Department	11,571,625
26		
27	Judicial Department – Indigent Defense	4,453,250
28		
29	Department of Justice	(118,949)
30		
31	GENERAL GOVERNMENT	
32		
33	Department of Administration	(324,054)
34		
35	Office of Administrative Hearings	(267,169)
36		
37	Department of State Auditor	297,652
38		
39	Office of State Controller	(122,859)
40		
41	Department of Cultural Resources	
42	Cultural Resources	757,664
43	Roanoke Island Commission	(9,000)
44		
45	State Board of Elections	(66,415)
46		
47	General Assembly	529,250
48		

1	Office of the Governor	(51,742)
2		
3	Office of State Budget and Management	
4	Office of State Budget and Management	409,996
5	OSBM – Reserve for Special Appropriations	2,480,000
6		
7	Housing Finance Agency	0
8		
9	Department of Insurance	(1,146,045)
10		
11	Office of Lieutenant Governor	(7,502)
12		
13	Department of Revenue	(689,119)
14		
15	Department of Secretary of State	73,750
16		
17	Department of State Treasurer	
18	State Treasurer	77,521
19	State Treasurer – Retirement for Fire and Rescue Squad	
20	Workers	0
21		
22	RESERVES, ADJUSTMENTS, AND DEBT SERVICE	
23		
24	Comprehensive Increase – Retirees	70,000,000
25		
26	Salary Adjustment Reserve	0
27		
28	State Health Plan Contribution	0
29		
30	State Retirement System Contributions	7,210,000
31		
32	Reserve for Future Benefit Needs	(56,400,000)
33		
34	Judicial Retirement System Contributions	0
35		
36	Severance Reserve	0
37		
38	Statewide Compensation Study	0
39		
40	Firemen's and Rescue Squad Workers' Pension Fund	0
41		
42	Information Technology Fund	2,954,555
43		
44	Information Technology Reserve Fund	(8,612,485)
45		
46	Litigation Reserve	550,000
47		
48	Medicaid Risk Reserve	50,000,000

1		
2	NC Government Efficiency and Reform Project	0
3		
4	One North Carolina Fund	0
5		
6	Unemployment Insurance (UI) Reserve	0
7		
8	Reserve for Escheat Fund Global TransPark Debt Repayment	0
9		
10	Reserve for Voter ID	0
11		
12	Reserve for Pending Legislation	0
13		
14	Reserve for Eugenics Program	0
15		
16	Contingency and Emergency Fund	0
17		
18	Job Development Investment Grants (JDIG)	(14,000,000)
19		
20	Debt Service	
21	General Debt Service	(9,340,916)
22	Federal Reimbursement	0
23		
24	TOTAL CURRENT OPERATIONS –	
25	 GENERAL FUND	(31,468,716)
26		

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Section 2.2(a) of S.L. 2013-360 is repealed. The General Fund availability used in adjusting the 2014-2015 budget is shown below

Description	FY 2014-2015 Beginning Availability (In Millions)	
31		
32		
33	Unappropriated Balance From Prior Fiscal Year	\$ 323,693,704
34	Anticipated Over (Under) Collections	(445,400,000)
35	Anticipated Reversions	290,000,000
36	Less: Credit to Savings Reserve Account	(42,073,426)
37	Less: Credit to Repairs and Renovations Reserve Account	(42,073,426)
38	Beginning Unreserved Credit Balance	\$ 84,146,852
39		
40	Revenues Based on Existing Tax Structure	\$ 19,972,067,810
41		
42	Nontax Revenues	
43	Investment Income	\$ 11,300,000
44	Judicial Fees	244,500,000
45	Disproportionate Share	109,000,000
46	Insurance	100,000,000
47	Master Settlement Agreement	137,500,000
48	Other Nontax Revenues	195,500,000

1	Highway Trust Fund Transfer	0
2	Highway Fund Transfer	215,900,000
3	Subtotal Nontax Revenues	\$ 990,700,000
4		
5	Total General Fund Availability	\$ 20,962,767,810
6		
7	Adjustments to Availability: 2014 Session	
8	Out-of-State Sales and Use Tax Collections	\$ 40,000,000
9	FICA Transfer	4,000,000
10	Subtotal Adjustments to Availability	\$ 44,000,000
11		
12	Total Availability	\$ 21,090,914,663
13		
14	Less: Total General Fund Appropriations for 2014-2015	
15	Fiscal Year	\$ 20,990,267,640
16		
17	Unappropriated Balance Remaining	\$ 100,647,023

18
19 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

20
21 **CURRENT OPERATIONS/HIGHWAY FUND**

22 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance
23 and operation of the Department of Transportation and for other purposes as enumerated are
24 adjusted for the fiscal year ending June 30, 2015, according to the following schedule.
25 Amounts set out in parentheses are reductions from Highway Fund Appropriations for the
26 2014-2015 fiscal year.

27		2014-2015
28	Current Operations – Highway Fund	Adjustments
29		
30	Department of Transportation	
31	Administration	\$ (1,705,907)
32		
33	Division of Highways	
34	Administration	0
35	Construction	(5,000,000)
36	Maintenance	25,998,594
37	Planning and Research	0
38	OSHA Program	(7,307)
39		
40	State Aid to Municipalities	9,453,990
41		
42	Intermodal Divisions	
43	Ferry	(794,486)
44	Airports	(468,490)
45	Bicycle	0
46	Public Transportation	(1,704,879)
47	Railroads	(417,420)

1	Governor's Highway Safety Program	(5,699)
2		
3	Division of Motor Vehicles	19,098,485
4		
5	Other State Agencies, Reserves, and Transfers	12,992,619
6		
7	Capital Improvements	0
8		
9	Total Highway Fund Appropriations	\$ 57,439,500

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:

	2014-2015
Highway Fund Availability Statement	Recommended
18 Beginning Credit Balance	\$ 0
19 Estimated Revenue	1,973,750,000
20 Estimated Reversions	0
21	
22 Total Highway Fund Availability	\$ 1,973,750,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are 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.

	2014-2015
Highway Trust Fund	Adjustments
36 Department of Transportation	
37 Program Administration	\$ (911,818)
38 Strategic Prioritization	57,911,818
39	
40 Bonds	
41 Bond Redemption	0
42 Bond Interest	0
43	
44 NC Turnpike Authority	0
45	
46 Reserve for Visitor Centers	0
47	
48 Total Highway Trust Fund Appropriations	\$ 57,000,000

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 Recommended
Beginning Credit Balance	\$ 0
Estimated Revenue	1,162,400,000
Estimated Reversions	0
Total Highway Trust Fund Availability	\$ 1,162,400,000

PART VI. STATE BUDGET ACT REVISIONS

SECTION 6.1.(a) G.S. 143C-1-1(d) reads as rewritten:

"§ 143C-1-1. Purpose and definitions.

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

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

...
(7a) ~~Continuation~~Base budget. – That part of the Recommended State Budget necessary to continue the same level of services in the next biennium as is provided in the current fiscal year, including (i) mandated Social Security rate adjustments; (ii) annualization of programs and positions; (iii) enrollment adjustments for public schools and Medicaid; ~~(iv) reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium;~~ (v) increases to adjust for nonrecurring reductions during the prior fiscal biennium; and (vi) if deemed necessary by the Director, other adjustments such as inflation, building reserves, and equipment replacement;and (iv) other changes deemed necessary by the Director.

...
SECTION 6.1.(b) G.S. 143C-3-5(b) 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 6.2.(a) G.S. 143C-6-1 reads as rewritten:

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

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

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

(b1) There is appropriated out of the cash balances, federal receipts, and departmental receipts available to each department sufficient amounts to carry on authorized activities included under each department's operations. All these cash balances, federal receipts, and departmental receipts shall be expended and reported in accordance with provisions of the State Budget Act, except as otherwise provided by statute, and shall be expended at the level of service authorized by the General Assembly. If the receipts, other than gifts and grants that are unanticipated and are for a specific purpose only, collected in a fiscal year by an institution, department, or agency exceed the receipts certified for it in General Fund Codes or Highway Fund Codes, then the Directors shall decrease the amount he allots to that institution, department, or agency from appropriations from that Fund by the amount of the excess, unless the Director finds that the appropriations from the Fund are necessary to maintain the function that generated the receipts at the level anticipated in the certified Budget Codes for that Fund.

(b2) Funds that become available from overrealized receipts in General Fund Codes and Highway Fund Codes may be used for new permanent employee positions or to raise the salary of existing employees.

(b3) The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office within 30 days after the end of each quarter the General Fund Codes or Highway Fund Codes that did not result in a corresponding reduced allotment from appropriations from that Fund.

...."

SECTION 6.2.(b) G.S. 143C-6-4 reads as rewritten:

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

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

(3) Responses to unforeseen circumstances. – A purpose or program not subject to the provisions of subdivision (b)(2) of this subsection, if each of the following conditions is satisfied:

- a. The overexpenditure is required to continue the purpose or programs due to complications or changes in circumstances that could not have been foreseen when the budget for the fiscal period was enacted.
- b. The scope of the purpose or program is not increased.
- e. ~~The overexpenditure is authorized on a one-time nonrecurring basis for one year only, unless the overexpenditure is the result of (i) salary adjustments authorized by law or (ii) the establishment of time limited positions funded with agency receipts.~~

(b1) If the overexpenditure would cause a department's total requirements ~~for a fund to exceed the department's certified budget for a fiscal year for that fund~~ by more than three percent (3%), the Director shall ~~consult with~~ report to the Joint Legislative Commission on Governmental Operations ~~prior to authorizing~~ within 30 days of authorizing the overexpenditure.

(b2) Subsection (b) of this section shall not be construed to authorize budget adjustments that cause General Fund expenditures, excluding expenditures from General Fund receipts, to exceed General Fund appropriations for a ~~department~~ department except as expressly authorized by the Governor.

...."

EDUCATION LOTTERY

SECTION 6.3.(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
Prekindergarten Program	75,535,709	<u>75,535,709</u> 3,885,709
Public School Building Capital Fund	100,000,000	100,000,000

1	Scholarships for Needy Students	30,450,000	30,450,000
2	UNC Need-Based Financial Aid	10,744,733	10,744,733
3	UNC Need-Based Financial Aid Forward Funding Reserve	32,530,359	19,130,728
4	Digital Learning	11,928,735	11,928,735
5	<u>Career Pathways</u>		<u>9,777,150</u>
6	<u>NC SERV (Scholarships for the Education of</u>		
7	<u>Returning Veterans)</u>		<u>5,000,000</u>
8	<u>Textbooks</u>		<u>23,171,192</u>
9			
10	TOTAL APPROPRIATION	\$ 481,832,724	\$ 468,433,093
11			<u>524,731,435"</u>

12 **SECTION 6.3.(b)** Section 6.11(f) of S.L. 2013-360 reads as rewritten:

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

16 **SECTION 6.3.(c)** Section 6.11(g) of S.L. 2013-360 reads as rewritten:

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

22 Up to one million dollars (\$1,000,000) for the 2013-2015 fiscal biennium may be used by
 23 the Department of Public Instruction to (i) develop a plan to transition from funding for
 24 textbooks, both traditional and digital, to funding for digital materials, including textbooks and
 25 instructional resources and (ii) provide educational resources that remain current, are aligned
 26 with curriculum, and are effective for all learners by 2017. The plan shall also include an
 27 inventory of the infrastructure needed to support robust digital learning in public schools."

28 **SECTION 6.3.(d)** Funds appropriated for Digital Learning shall not revert at the
 29 end of the fiscal year, but shall remain available until expended.

30 **SECTION 6.3.(e)** Subsection (d) of this section becomes effective June 30, 2014.

31
 32 **STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND**
 33 **REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT**

34 **SECTION 6.4.** Section 6.7 of S.L. 2007-323 is repealed.

35
 36 **LITIGATION RESERVE**

37 **SECTION 6.5.** A Special Litigation Reserve is established within the Office of
 38 State Budget and Management. In addition to appropriations or other funds the Governor may
 39 direct pursuant to G.S. 147-17(c), funds from the Special Litigation Reserve may be expended
 40 or transferred at the direction of the Governor in order to employ special counsel or private
 41 counsel pursuant to G.S. 147-17 or G.S. 114-2.3.

42
 43 **OVERSIGHT AND ACCOUNTABILITY FOR STATE GRANTS TO NON-STATE**
 44 **ENTITIES**

45 **SECTION 6.6.(a)** G.S. 143C-6-23 reads as rewritten:

46 "§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.

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

1 (1) "Contractor/Vendor" means a non-State entity that under the terms of its
 2 agreement with a funding agency:
 3 a. Provides the goods and services within normal business operations;
 4 b. Provides similar goods or services to many different purchasers;
 5 c. Normally operates in a competitive environment;
 6 d. Provides goods or services that are ancillary to the operation of the
 7 State program; and
 8 e. Is not subject to compliance requirements of the State program as a
 9 result of the award, though similar requirements may apply for other
 10 reasons.

11 ~~(1)~~(1a) "Grant" and "grant funds" means State funds disbursed as a grant by a State
 12 agency; however, the terms do not include any payment made by the
 13 Medicaid program, the State Health Plan for Teachers and State Employees,
 14 or other similar medical programs. agency to a grantee as defined in
 15 subdivision (2) of this section to carry out a program for a public purpose, as
 16 opposed to providing goods or services for the benefit of a State entity.

17 (2) "Grantee" means a non-State entity that receives State funds as a grant from
 18 a State agency but does not include any non-State entity subject to the audit
 19 and other reporting requirements of the Local Government Commission.
 20 entity, not subject to the audit and other reporting requirements of the Local
 21 Government Commission, that receives or holds State grant funds and does
 22 not meet the definition of "contractor/vendor" as defined in subdivision (1)
 23 of this section.

24 (3) "Subgrantee" means a non-State entity that receives State funds as a grant
 25 from a grantee or from another subgrantee but does not include any
 26 non-State entity subject to the audit and other reporting requirements of the
 27 Local Government Commission. meets the definition of a "grantee" as
 28 defined in subdivision (2) of this section that receives or holds State grant
 29 funds from a grantee or other subgrantee and not directly from the State.

30 (b) Conflict of Interest Policy. – Every grantee shall file with the State agency
 31 disbursing funds to the grantee a copy of that grantee's policy addressing conflicts of interest
 32 that may arise involving the grantee's management employees and the members of its board of
 33 directors or other governing body. The policy shall address situations in which any of these
 34 individuals may directly or indirectly benefit, except as the grantee's employees or members of
 35 its board or other governing body, from the grantee's disbursing of State funds, and shall
 36 include actions to be taken by the grantee or the individual, or both, to avoid conflicts of
 37 interest and the appearance of impropriety. The policy shall be filed before the disbursing State
 38 agency may disburse the grant funds.

39 (c) No Overdue Tax Debts. – Every grantee shall file with the State agency or
 40 department disbursing funds to the grantee a written statement completed by that grantee's
 41 board of directors or other governing body stating that the grantee does not have any overdue
 42 tax debts, as defined by G.S. 105-243.1, at the federal, State, or local level. The written
 43 statement shall be made under oath and shall be filed before the disbursing State agency or
 44 department may disburse the grant funds. A person who makes a false statement in violation of
 45 this subsection is guilty of a criminal offense punishable as provided by G.S. 143C-10-1.

46 (d) Office of State Budget Rules Must Require Uniform Administration of State Grants
 47 and Management. – The Office of State Budget and Management shall adopt rules-policies and
 48 procedures to ensure the uniform administration of State grants by all grantor State agencies

1 and grantees or subgrantees. ~~The Office of State Budget and Management shall consult with the~~
2 ~~Office of the State Auditor and the Attorney General in establishing the rules required by this~~
3 ~~subsection. The rules shall establish policies and procedures shall provide for disbursements of~~
4 State grants and for State agency oversight, monitoring, and evaluation of grantees and
5 subgrantees. The policies and procedures shall:

6 (1) Ensure that the purpose and reporting requirements of each grant are
7 specified to the grantee.

8 (2) Ensure that grantees specify the purpose and reporting requirements for
9 grants made to subgrantees.

10 ~~(3) Ensure that State funds are spent in accordance with the purposes for which~~
11 ~~they were granted.~~

12 ~~(4) Hold the grantees and subgrantees accountable for the legal and appropriate~~
13 ~~expenditure of grant funds.~~

14 ~~(5) Provide for adequate oversight and monitoring to prevent the misuse of grant~~
15 ~~funds.~~

16 (5a) Require each contract that awards a grant to include all of the following:

17 a. Concrete, measurable benchmarks against which to measure success.
18 The benchmarks shall address the expected quantifiable outputs and
19 outcomes.

20 b. Identification of program performance measures that will be used to
21 compare quantifiable outputs and outcomes against the benchmarks
22 established in contracts pursuant to this subdivision.

23 For purposes of this subdivision, the term "output" means quantified
24 activities performed by the grantee, and the term "outcome" means what
25 happens as a result of the grantee's activities.

26 (5b) Establish the criteria for grant programs from which oversight costs shall be
27 withheld by a State agency pursuant to G.S. 143C-6-24.

28 (5c) Provide procedures for making the determination that the amount required to
29 be withheld under G.S. 143C-6-24 may be reduced.

30 (6) Establish mandatory periodic reporting requirements for grantees and
31 subgrantees, including methods of reporting, to provide separate accounting
32 of all State funds, a separate accounting of funds used for administration,
33 and other financial and program performance information. ~~The mandatory~~
34 ~~periodic reporting requirements shall require grantees and subgrantees to file~~
35 ~~with the State Auditor copies of reports and statements that are filed with~~
36 ~~State agencies pursuant to this subsection. Compliance with the mandatory~~
37 ~~periodic reporting requirements of this subdivision shall not require grantees~~
38 ~~and subgrantees to file with the State Auditor the information described in~~
39 ~~subsections (b) and (c) of this section.~~

40 (6a) Establish mandatory periodic reporting requirements for grantees and
41 subgrantees, including reporting on benchmarks set out in the contract
42 awarding the grant pursuant to subdivision (2) of this subsection, by means
43 of performance measures identified in the contract. The State agency
44 overseeing the grant shall review performance reporting on an ongoing basis
45 and shall submit an annual performance report to the Office of State Budget
46 and Management.

47 (7) Require grantees and subgrantees to maintain reports, records, and other
48 information to properly account for the expenditure of all grant funds and to

- 1 make such reports, records, and other information available to the grantor
2 State agency for oversight, monitoring, and evaluation purposes.
- 3 ~~(8) Require grantees and subgrantees to ensure that work papers in the~~
4 ~~possession of their auditors are available to the State Auditor for the~~
5 ~~purposes set out in subsection (i) of this section.~~
- 6 (8a) Require a State agency that oversees a grant program to develop a
7 monitoring plan for that program and to submit the plan and any additional
8 information regarding the plan to the Office of State Budget and
9 Management for review and approval.
- 10 ~~(9) Require grantees to be responsible for managing and monitoring each~~
11 ~~project, program, or activity supported by grant funds and each subgrantee~~
12 ~~project, program, or activity supported by grant funds.~~
- 13 (9a) Require grantees to submit cash receipts and disbursement reports in a
14 format specified by the Office of State Budget and Management within 90
15 days of the end of the State fiscal year.
- 16 (10) Provide procedures for the suspension of further disbursements or use of
17 grant funds for noncompliance with these ~~rules~~ policies and procedures or
18 other inappropriate use of the funds.
- 19 (11) Provide procedures for use in appropriate circumstances for reinstatement of
20 disbursements that have been suspended for noncompliance with these ~~rules~~
21 policies and procedures or other inappropriate use of grant funds.
- 22 (12) Provide procedures for the recovery and return to the grantor State agency of
23 unexpended grant funds from a grantee or subgrantee if the grantee or
24 subgrantee is unable to fulfill the purposes of the grant.
- 25 (13) Establish requirements for cash management, including interest earned on
26 grant funds.
- 27 (14) Require grantees and subgrantees to report on compensation of officers,
28 directors, trustees, key employees, highest compensated employees, and
29 independent contractors, regardless of funding source.
- 30 ~~(e) Rules Are Subject to the Administrative Procedure Act. Notwithstanding the~~
31 ~~provisions of G.S. 150B-2(8a)b. rules adopted pursuant to subsection (d) of this section are~~
32 ~~subject to the provisions of Chapter 150B of the General Statutes.~~
- 33 (f) Suspension and Recovery of Funds to Grant Recipients for Noncompliance. – The
34 Office of State Budget and Management, after consultation with the administering State
35 agency, shall have the power to suspend disbursement of grant funds to grantees or
36 subgrantees, to prevent further use of grant funds already disbursed, and to recover grant funds
37 already disbursed for noncompliance with rules adopted pursuant to subsection (d) of this
38 section. If the grant funds are a pass-through of funds granted by an agency of the United
39 States, then the Office of State Budget and Management must consult with the granting agency
40 of the United States and the State agency that is the recipient of the pass-through funds prior to
41 taking the actions authorized by this subsection. The Office of State Budget and Management
42 may take the actions listed in this subsection for noncompliance with the policies and
43 procedures adopted pursuant to subsection (d) of this section. If the grant funds are a
44 pass-through of funds granted by an agency of the United States, then the Office of State
45 Budget and Management must consult with the granting agency of the United States and the
46 State agency that is the recipient of the pass-through funds prior to taking the actions
47 authorized by this subsection. The authorized actions are as follows:

1 (1) With respect to a grantee or a subgrantee, and after consultation with the
2 administering State agency, suspend disbursement of grant funds, prevent
3 further use of grant funds already disbursed, and recover grant funds already
4 disbursed.

5 (2) With respect to an administering state agency, and after 90 days notice to
6 give the administering State agency an opportunity to correct the
7 noncompliance, suspend disbursement of grant funds.

8 (g) Audit Oversight. – The State Auditor has audit oversight, with respect to grant funds
9 received by the grantee or subgrantee, pursuant to Article 5A of Chapter 147 of the General
10 Statutes, of every grantee or subgrantee that receives, uses, or expends grant funds. A grantee
11 or subgrantee must, upon request, furnish to the State Auditor for audit all books, records, and
12 other information necessary for the State Auditor to account fully for the use and expenditure
13 of grant funds received by the grantee or subgrantee. The grantee or subgrantee must furnish
14 any additional financial or budgetary information requested by the State Auditor, including
15 audit work papers in the possession of any auditor of a grantee or subgrantee directly related to
16 the use and expenditure of grant funds.

17 ~~(h) Report on Grant Recipients That Failed to Comply. — Not later than May 1, 2007,~~
18 ~~and by May 1 of every succeeding year, the Noncompliance Reports. — The Office of State~~
19 ~~Budget and Management shall report to the Joint Legislative Commission on Governmental~~
20 ~~Operations and the Fiscal Research Division on maintain a list that is publicly available of all~~
21 ~~grantees or subgrantees that failed to comply with this section with respect to grant funds~~
22 ~~received in the prior fiscal year received.~~

23 ~~(i) State Agencies to Submit List to Auditor. — No later than October 1 of each year,~~
24 ~~each State agency shall submit a list to the State Auditor, in the format prescribed by the State~~
25 ~~Auditor, of every grantee to which the agency disbursed grant funds in the prior fiscal year. The~~
26 ~~list shall include the amount disbursed to each grantee and other information as required by the~~
27 ~~State Auditor to comply with the requirements of this section.~~

28 (j) This section does not apply to financial assistance to students enrolled in a
29 constituent institution of The University of North Carolina or institutions of the North Carolina
30 Community College System or to public assistance payments to or on behalf of enrolled
31 individuals.

32 (k) Contractors are not subject to this section."

33 **SECTION 6.6.(b)** Article 6 of Chapter 143C of the General Statutes is amended by
34 adding a new section to read:

35 **"§ 143C-6-24. Withholding of grant program funds for oversight.**

36 (a) Mandatory Withholding. – A State agency that oversees a grant program shall
37 withhold two percent (2%) of the amount awarded for the grant program each fiscal year to
38 cover oversight costs for the grant program pursuant to this subsection if the grant program
39 satisfies the criteria established by the Office of State Budget and Management. The
40 administering State agency shall transfer twenty-five percent (25%) of the amount withheld to
41 the Office of State Budget and Management at the time the grant program funds are disbursed.
42 The Office of State Budget and Management shall use the funds transferred from the
43 administering State agency to cover costs related to statewide oversight of grants to non-State
44 entities.

45 (b) Adjustment. – If an administering State agency or the Office of State Budget and
46 Management believes that the amount withheld under subsection (a) of this section is in excess
47 of the amount the administering State agency requires for oversight, the amount of the
48 withholding may be reduced in accordance with this subsection. If the amount withheld is

1 reduced, the amount transferred to the Office of State Budget and Management shall be
2 reduced proportionately.

3 (1) By request. – An administering State agency may submit a written request to
4 the Office of State Budget and Management for a reduction of the amount
5 withheld. The request must set out the oversight responsibilities of the
6 agency with regard to the grant program and the amount by which the
7 agency is requesting the withholding be reduced from the grant program for
8 the fiscal year. The Office of State Budget and Management shall determine
9 whether it is appropriate to allow a reduction of the withholding under this
10 section and, if so, the amount by which the withholding shall be reduced.
11 The Office of State Budget and Management shall notify the State agency in
12 writing of the approval or disapproval of the request and, if approved, the
13 amount by which the withholding shall be reduced.

14 (2) Without request. – The Office of State Budget and Management may,
15 without a request by an administering State agency, reduce the amount
16 withheld from a grant program for oversight if it makes a determination that
17 the amount required under subsection (a) of this section is in excess of the
18 amount the administering State agency requires for oversight. The Office of
19 State Budget and Management shall notify the administering State agency in
20 writing of its determination.

21 (c) Review. – The Office of State Budget and Management shall review the
22 withholding amounts annually and may make adjustments to the withholding at any time in
23 accordance with subdivision (2) of subsection (b) of this section.

24 (d) Limitations. – Funds shall not be withheld under this section if a grant program is a
25 pass-through of funds granted by an agency of the United States and the terms of the federal
26 grant prohibit the withholding of funds described by this section."

27 **SECTION 6.6.(c)** Subsection (b) of this section becomes effective July 1, 2015,
28 and applies to grants awarded on or after that date.

29

30 **PART VII. PUBLIC SCHOOLS**

31

32 **FUNDS FOR CHILDREN WITH DISABILITIES**

33 **SECTION 7.1.** The State Board of Education shall allocate additional funds for
34 children with disabilities on the basis of three thousand seven hundred sixty-eight dollars and
35 eleven cents (\$3,768.11) per child. Each local school administrative unit shall receive funds for
36 the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
37 five-tenths percent (12.5%) of its 2014-2015 allocated average daily membership in the local
38 school administrative unit. The dollar amounts allocated under this section for children with
39 disabilities shall also adjust in accordance with legislative salary increments, retirement rate
40 adjustments, and health benefit adjustments for personnel who serve children with disabilities.

41

42 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

43 **SECTION 7.2.** The State Board of Education shall allocate additional funds for
44 academically or intellectually gifted children on the basis of one thousand two hundred
45 thirty-nine dollars and sixty-five cents (\$1,239.65) per child for fiscal year 2014-2015. A local
46 school administrative unit shall receive funds for a maximum of four percent (4%) of its
47 2014-2015 allocated average daily membership, regardless of the number of children identified
48 as academically or intellectually gifted in the unit. The dollar amounts allocated under this

1 section for academically or intellectually gifted children shall also adjust in accordance with
2 legislative salary increments, retirement rate adjustments, and health benefit adjustments for
3 personnel who serve academically or intellectually gifted children.

4
5 **FUND OPT-IN PORTION OF HOME BASE FOR LOCAL SCHOOL**
6 **ADMINISTRATIVE UNITS AND CHARTER SCHOOLS**

7 **SECTION 7.3.(a)** Section 8.18 of S.L. 2013-360 is repealed.

8 **SECTION 7.3.(b)** Four million dollars (\$4,000,000) is appropriated to fund the
9 optional portions of the Home Base Instructional Improvement System (System) for all local
10 school administrative units and charter schools for the 2014-2015 fiscal year.

11 **SECTION 7.3.(c)** If funds appropriated pursuant to subsection (b) of this section
12 are not sufficient to cover the cost of the optional portions of the System, the State Board of
13 Education may use funds appropriated to the Department of Public Instruction or State Aid for
14 Public Schools for this purpose.

15 **SECTION 7.3.(d)** For each optional service within the System, the Department of
16 Public Instruction shall report on the (1) usage, (2) client satisfaction, (3) system performance,
17 (4) extent to which local school administrative units and charter schools are using other
18 services in place of the System, and (5) information and analysis on why other services are
19 being used in place of the System. This report shall be made to the Office of State Budget and
20 Management, the Fiscal Research Division of the North Carolina General Assembly, the Joint
21 Legislative Education Oversight Committee, and the State Board of Education by December 1,
22 2014.

23 **SECTION 7.3.(e)** Subsection (a) of this section becomes effective June 30, 2014.

24
25 **CERTAIN TEACHER SALARY SUPPLEMENTS**

26 **SECTION 7.4.** Section 8.22 of S.L. 2013-360 reads as rewritten:

27 ~~"SECTION 8.22. SECTION 8.22.(a)~~ Notwithstanding Section 35.11 of this act, ~~no~~ only
28 the following teachers or instructional support personnel, ~~except for certified school nurses and~~
29 ~~instructional support personnel in positions for which a master's degree is required for~~
30 ~~licensure, personnel~~ shall be paid on the "M" salary schedule or receive a salary supplement for
31 academic preparation at the six-year degree level or at the doctoral degree level for the
32 2014-2015 school year, ~~unless they were paid on that salary schedule or received that salary~~
33 ~~supplement prior to the 2014-2015 school year, year and subsequent school years:~~

- 34 (1) Certified school nurses and instructional support personnel in positions for
35 which a master's degree is required for licensure.
36 (2) Teachers and instructional support personnel who were paid on that salary
37 schedule or received that salary supplement prior to the 2014-2015 school
38 year.
39 (3) Teachers and instructional support personnel who complete a degree for
40 which they completed at least one class prior to July 1, 2013.
41 (4) Teachers and instructional personnel who do not qualify under subdivisions
42 (1) through (3) of this subsection but who spend at least seventy percent
43 (70%) of their work time in either of the following:
44 a. Classroom instruction in the field and subject of their graduate
45 academic preparation. Most of the teachers' remaining time shall be
46 spent in one or more of the following: mentoring teachers, doing
47 demonstration lessons for teachers, writing curricula, and developing
48 and leading staff development programs for teachers.

1 b. Work within the employee's area of graduate academic preparation.
2 "**SECTION 8.22.(b)** For teachers who are paid on the "M" salary schedule under
3 subdivision (a)(4) of this section, determination of whether teachers and instructional support
4 personnel shall be paid on the "M" salary schedule or receive a salary supplement for academic
5 preparation shall take place on an annual basis. Teachers and instructional support personnel
6 may be moved off of the "M" salary schedule and/or discontinue receiving salary supplements
7 if they are not instructing classes in field in that year. Teachers and instructional support
8 personnel who earn an advanced degree in school administration shall not be paid on the "M"
9 salary schedule or receive a salary supplement for academic preparation unless they serve as an
10 assistant principal or principal."

11 12 **TEACHER ASSISTANTS**

13 **SECTION 7.5.** Funds appropriated for the Teacher Assistant allotment shall be
14 allocated in 2014-2015 to each local school administrative unit in the same amount as was
15 allocated to the local school administrative unit in 2013-2014. The dollar amounts allocated
16 shall also be adjusted in accordance with legislative salary increments and retirement rate
17 adjustments in this act.

18 19 **EDUCATION AND WORKFORCE INNOVATION PROGRAM**

20 **SECTION 7.6.(a)** G.S. 115C-64.16(d) reads as rewritten:

21 "(d) ~~Matching Private and Local Funds. – All funds appropriated by the State must be~~
22 ~~matched by a combination of private and local funds. All grant applicants must fund~~
23 ~~twenty five percent (25%) of program costs through local funds. An additional twenty five~~
24 ~~percent (25%) of program costs must be raised by private funds. All grant applicants must~~
25 match fifty percent (50%) of all State dollars. Matching funds shall not include other State
26 funds. Matching funds may include in-kind contributions."

27 **SECTION 7.6.(b)** G.S. 115C-64.15(e) reads as rewritten:

28 "(e) The Commission shall publish a report on the Education and Workforce Innovation
29 Program on or before ~~April 30~~October 1 of each year. The report shall be submitted to the Joint
30 Legislative Education Oversight Committee, the State Board of Education, the State Board of
31 Community Colleges, and the Board of Governors of The University of North Carolina. The
32 report shall include at least all of the following information:"

33 **SECTION 7.6.(c)** G.S. 115C-64.16(f) reads as rewritten:

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

38 **SECTION 7.6.(d)** Funds appropriated for the Education and Workforce Innovation
39 Program authorized by G.S. 115C-64.16 shall not revert at the end of each fiscal year but shall
40 remain available until expended.

41 **SECTION 7.6.(e)** This section becomes effective June 30, 2014.

42 43 **PAY FOR EXCELLENCE**

44 **SECTION 7.7.** Section 9.6(g) of S.L. 2013-360 reads as rewritten:

45 "**SECTION 9.6.(g)** Beginning September 1, 2013, to June 30, 2014, all superintendents
46 ~~shall~~may review the performance and evaluations of all teachers who have been employed by
47 the local board for at least three consecutive years. Based on these reviews, the superintendent
48 ~~shall~~may identify and recommend to the local board twenty-five percent (25%) of those

1 teachers ~~employed by the local board who have taught~~ for at least three consecutive years to be
2 awarded four-year contracts beginning with the 2014-2015 school year. The superintendent
3 ~~shall~~ may not recommend to the local board any teacher for a four-year contract unless that
4 teacher has shown effectiveness as demonstrated by proficiency on the teacher evaluation
5 instrument. The local board of education ~~shall~~ may review the superintendent's recommendation
6 and may approve that recommendation or may select other teachers as part of the twenty-five
7 percent (25%) to offer four-year contracts, but the local board shall not offer any teacher a
8 four-year contract unless that teacher has shown effectiveness as demonstrated by proficiency
9 on the teacher evaluation instrument. Contract offers shall be made and accepted no later than
10 June 30, 2014. A teacher shall cease to be employed pursuant to G.S. 115C-325 and voluntarily
11 relinquishes career status or any claim of career status by acceptance of a four-year contract as
12 provided in this section."
13

14 **COMPETITIVE GRANTS TO IMPROVE AFTER SCHOOL SERVICES**

15 **SECTION 7.8.(a)** Of the funds appropriated in this act for the 2014-2015 fiscal
16 year for the At-Risk Student Services Alternative School Allotment, the State Board of
17 Education shall use five million dollars (\$5,000,000) for the After School Quality Improvement
18 Grant Program administered by the North Carolina Department of Public Instruction. Of these
19 funds, the Department of Public Instruction may use up to two hundred thousand dollars
20 (\$200,000) to administer the program. The General Assembly intends to appropriate five
21 million dollars (\$5,000,000) for this purpose in each year of the 2015-2017 fiscal biennium.

22 The purpose of the program is to pilot after school learning programs for at-risk
23 students that raise standards for student academic outcomes and that:

- 24 (1) Use an evidence-based model with a proven track record of success.
- 25 (2) Include rigorous, quantitative performance measures to confirm their
26 effectiveness during the grant cycle and at the end-of-grant cycle.
- 27 (3) Are fully integrated with State performance measures and student academic
28 goals.
- 29 (4) Can be expanded for wider use in North Carolina.
- 30 (5) Prioritize science, technology, engineering, and mathematics (STEM)
31 learning opportunities.
- 32 (6) Expand student access to learning activities and academic support that
33 strengthen student engagement and leverage community-based resources,
34 including private sector employer involvement.

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

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

43 **SECTION 7.8.(b)** Grant recipients shall report to the Department of Public
44 Instruction after the first year of funding on the progress of the grant, including alignment with
45 Common Core Standards, data collection for reporting student progress, and other measures,
46 before receiving funding for the next fiscal year. Grant recipients shall report after the second
47 year of funding on key performance data, including statewide test results, attendance rates, and
48 promotion rates. Grant allocations for the third year shall be based on student performance.

1 **SECTION 7.8.(c)** The Department of Public Instruction shall provide progress
2 reports on the grant program to the Joint Legislative Education Oversight Committee by
3 September 15, 2015, and September 15, 2016. The Department shall provide a final report on
4 the program by September 15, 2017. The final report shall include the final results of the
5 program and recommendations regarding effective after school program models, standards, and
6 performance measures, based on the experience of the grant recipients.
7

8 **WORKERS' COMPENSATION FOR SCHOOL EMPLOYEES**

9 **SECTION 7.9.(a)** G.S. 115C-337 reads as rewritten:

10 **"§ 115C-337. Workers' compensation for school employees.**

11 ~~(a) Workers' Compensation Act Applicable to School Employees.— The provisions of~~
12 ~~the Workers' Compensation Act shall be applicable to all school employees, and the State~~
13 ~~Board of Education shall make arrangements necessary to carry out the provisions of the~~
14 ~~Workers' Compensation Act applicable to these employees paid from State school funds.~~
15 ~~Liability of the State for compensation shall be confined to school employees paid by the State~~
16 ~~from State school funds for injuries or death caused by accident arising out of and in the course~~
17 ~~of their employment in connection with the state-operated school term. The State shall be liable~~
18 ~~for this compensation on the basis of the average weekly wage of the employees as defined in~~
19 ~~the Workers' Compensation Act, to the extent of the proportionate part of each employee's~~
20 ~~salary that is paid from State funds. The State shall also be liable for workers' compensation for~~
21 ~~all school employees employed in connection with the teaching of vocational agriculture, home~~
22 ~~economics, trades and industries, and other vocational subjects, supported in part by State and~~
23 ~~federal funds, which liability shall cover the entire period of service of these employees, to the~~
24 ~~extent of the proportionate part of each employee's salary that is paid from State funds. The~~
25 ~~local school administrative units shall be liable for workers' compensation for school~~
26 ~~employees, including lunchroom employees, whose salaries or wages are paid by the local units~~
27 ~~from local or special funds.~~The provisions of the Workers' Compensation Act shall be
28 applicable to all school employees. The local school administrative units shall be liable for
29 workers' compensation claims for school employees. The local units may provide insurance to
30 cover this compensation liability and ~~to~~may include the cost of this insurance in their annual
31 budgets. All costs related to workers compensation claims for school employees, including the
32 cost of insurance, shall be paid with non-State funds.

33 The provisions of this subsection shall not apply to any person, firm, or corporation making
34 voluntary contributions to schools for any purpose, and the person, firm, or corporation shall
35 not be liable for the payment of any sum of money under this Chapter.

36 "

37 **SECTION 7.9.(b)** G.S. 115C-337(b) is repealed.

38 **SECTION 7.9.(c)** This section becomes effective July 1, 2014, and applies to
39 workers' compensation claims arising from events occurring on or after that date.

40 **TORT CLAIMS FOR SCHOOL EMPLOYEES**

41 **SECTION 7.10.(a)** G.S. 115C-42 reads as rewritten:

42 **"§ 115C-42. Liability insurance and immunity.**

43 Any local board of education, by securing liability insurance as hereinafter provided, is
44 hereby authorized and empowered to waive its governmental immunity from liability for
45 damage by reason of death or injury to person or property caused by the negligence or tort of
46 any agent or employee of such board of education when acting within the scope of his authority
47 or within the course of his employment. Such immunity shall be deemed to have been waived
48

1 by the act of obtaining such insurance, but such immunity is waived only to the extent that said
2 board of education is indemnified by insurance for such negligence or tort. All costs related to
3 any such claims, including the cost of insurance, shall be paid with non-State funds.

4 Any contract of insurance purchased pursuant to this section shall be issued by a company
5 or corporation duly licensed and authorized to execute insurance contracts in this State or by a
6 qualified insurer as determined by the Department of Insurance and shall by its terms
7 adequately insure the local board of education against liability for damages by reason of death
8 or injury to person or property proximately caused by the negligent act or torts of the agents
9 and employees of said board of education or the agents and employees of a particular school in
10 a local administrative unit when acting within the scope of their authority. The local board of
11 education shall determine what liabilities and what officers, agents and employees shall be
12 covered by any insurance purchased pursuant to this section. Any company or corporation
13 which enters into a contract of insurance as above described with a local board of education, by
14 such act waives any defense based upon the governmental immunity of such local board of
15 education.

16 ~~Every local board of education in this State is authorized and empowered to pay as a~~
17 ~~necessary expense the lawful premiums for such insurance.~~

18 Any person sustaining damages, or in case of death, his personal representative may sue a
19 local board of education insured under this section for the recovery of such damages in any
20 court of competent jurisdiction in this State, but only in the county of such board of education;
21 and it shall be no defense to any such action that the negligence or tort complained of was in
22 pursuance of governmental, municipal or discretionary function of such local board of
23 education if, and to the extent, such local board of education has insurance coverage as
24 provided by this section.

25 Except as hereinbefore expressly provided, nothing in this section shall be construed to
26 deprive any local board of education of any defense whatsoever to any such action for damages
27 or to restrict, limit, or otherwise affect any such defense which said board of education may
28 have at common law or by virtue of any statute; and nothing in this section shall be construed
29 to relieve any person sustaining damages or any personal representative of any decedent from
30 any duty to give notice of such claim to said local board of education or to commence any civil
31 action for the recovery of damages within the applicable period of time prescribed or limited by
32 statute.

33 ~~A local board of education may incur liability pursuant to this section only with respect to a~~
34 ~~claim arising after such board of education has procured liability insurance pursuant to this~~
35 ~~section and during the time when such insurance is in force.~~

36 No part of the pleadings which relate to or allege facts as to a defendant's insurance against
37 liability shall be read or mentioned in the presence of the trial jury in any action brought
38 pursuant to this section. Such liability shall not attach unless the plaintiff shall waive the right
39 to have all issues of law or fact relating to insurance in such an action determined by a jury and
40 such issues shall be heard and determined by the judge without resort to a jury and the jury
41 shall be absent during any motions, arguments, testimony or announcement of findings of fact
42 or conclusions of law with respect thereto unless the defendant shall request a jury trial ~~thereon.~~
43 ~~Provided, that this section shall not apply to claims for damages caused by the negligent acts or~~
44 ~~torts of public school bus, or school transportation service vehicle drivers, while driving school~~
45 ~~buses and school transportation service vehicles when the operation of such school buses and~~
46 ~~service vehicles is paid from the State Public School Fund, thereon."~~

47 **SECTION 7.10.(b)** G.S. 115C-255 reads as rewritten:

48 **"§ 115C-255. Liability insurance and waiver of immunity as to certain acts of bus drivers.**

1 The securing of liability insurance and the waiver of immunity as to certain torts of school
2 bus drivers, school transportation service vehicle drivers and school activity bus drivers, is
3 subject to the provisions of ~~G.S. 115C-42, except when such vehicles are operated with funds~~
4 ~~from the State Public School Fund.~~ G.S. 115C-42."

5 **SECTION 7.10.(c)** G.S. 115C-257 reads as rewritten:

6 "**§ 115C-257. Attorney General**Local board of education to pay claims.

7 ~~The Attorney General~~ A local board of education is hereby authorized to pay reasonable
8 medical expenses, not to exceed three thousand dollars (\$3,000), incurred within one year from
9 the date of accident to or for each pupil who sustains bodily injury or death caused by accident,
10 while boarding, riding on, or alighting from a school bus operated by any local school
11 administrative unit."

12 **SECTION 7.10.(d)** G.S. 115C-258 reads as rewritten:

13 "**§ 115C-258. Provisions regarding payment.**

14 The claims authorized herein may be paid, regardless of whether the injury received by the
15 pupil was due to negligence on the part of the school bus driver, the injured pupil, or any other
16 person. To the extent of payments made under this Article, ~~the Attorney General~~ the applicable
17 local board of education shall be subrogated to the right of the pupil against any third party
18 legally responsible for the injury. Further, any amounts paid shall constitute a credit against any
19 obligation of the local board of education arising ~~under the provisions of the Tort Claims Act~~ as
20 a result of the injury."

21 **SECTION 7.10.(e)** G.S. 115C-259 reads as rewritten:

22 "**§ 115C-259. Claims must be filed within one year.**

23 The right to payment as authorized herein shall be forever barred unless a claim be filed
24 with the ~~Attorney General~~ applicable local school board within one year after the accident."

25 **SECTION 7.10.(f)** The following statutes are repealed: G.S. 115C-318,
26 G.S. 143-300.1, and Article 31B of Chapter 143 of the General Statutes.

27 **SECTION 7.10.(g)** G.S. 130A-310.37(b) reads as rewritten:

28 "(b) Notwithstanding the provisions of the Tort Claims Act, G.S. 143-291 through
29 ~~G.S. 143-300.1~~ G.S. 143-300.1A, or any other provision of law waiving the sovereign immunity
30 of the State of North Carolina, the State, its agencies, officers, employees, and agents shall be
31 absolutely immune from any liability in any proceeding for any injury or claim arising from
32 negotiating, entering, monitoring, or enforcing a brownfields agreement or a Notice of
33 Brownfields Property under this Part or any other action implementing this Part."

34 **SECTION 7.10.(h)** G.S. 143-215.104T(b) reads as rewritten:

35 "(b) Notwithstanding the provision of the Tort Claims Act, G.S. 143-291 through
36 ~~G.S. 143-300.1~~ G.S. 143-300.1A, or any other provision of law waiving the sovereign immunity
37 of the State of North Carolina, the State, its agencies, officers, employees, and agents shall be
38 absolutely immune from any liability in any proceeding for any injury or claim arising from
39 negotiating, entering into, implementing, monitoring, or enforcing a dry-cleaning solvent
40 assessment agreement, a dry-cleaning solvent remediation agreement, or a Notice of
41 Dry-Cleaning Solvent Remediation under this Part or any other action implementing this Part."

42 **SECTION 7.10.(i)** G.S. 143-299.2(a) reads as rewritten:

43 (a) The maximum amount that the State may pay cumulatively to all claimants on
44 account of injury and damage to any one person arising out of any one occurrence, whether the
45 claim or claims are brought under this ~~Article, Article~~ or Article 31A ~~or Article 31B~~ of this
46 Chapter, shall be one million dollars (\$1,000,000), less any commercial liability insurance
47 purchased by the State and applicable to the claim or claims under ~~G.S. 143-291(b),~~
48 ~~143-300.6(e), or 143-300.16(e).~~ G.S. 143-291(b) or G.S. 143-300.6(c)."

NORTH CAROLINA CENTER FOR THE ADVANCEMENT OF TEACHING

SECTION 7.11.(a) G.S. 115C-296.5 and G.S. 115C-296.6 are repealed.

SECTION 7.11.(b) This section becomes effective June 30, 2014.

PANIC ALARMS FUNDS

SECTION 7.12.(a) Section 8.37(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 8.37.(b)** Grants to local school administrative units, regional schools, and charter schools for panic alarm systems in schools shall be matched on the basis of one dollar (\$1.00) in State funds for every one dollar (\$1.00) in local funds and shall be used to supplement and not to supplant State, local, and federal funds for panic alarm systems. Grants to local school administrative units, regional schools, and charter schools awarded in the 2013-2014 fiscal year shall not revert at the end of the fiscal year but shall remain available until June 30, 2015.

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

SECTION 7.12.(b) This section becomes effective June 30, 2014.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL SALES

SECTION 7.13.(a) Section 7.22(g) of S.L. 2011-145 reads as rewritten:

"**SECTION 7.22.(g)** The Board shall direct NCVPS to develop a plan to generate revenue ~~from the sale of courses to out-of-state educational entities by offering professional development courses to in-state and out-of-state educators.~~ Revenue generated by NCVPS shall be used to offset instructional costs to local school administrative units and charter schools. NCVPS shall submit its plan to the Board by September 15, ~~2014~~, 2014."

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL COMPETE

SECTION 7.14.(a) G.S. 66-58(b) reads as rewritten:

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

...

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

...

(28) The North Carolina Virtual Public School."

SECTION 7.14.(b) G.S. 66-58(c) reads as rewritten:

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

...

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

CHARTER APPLICATION FUNDS

SECTION 7.15.(a) G.S. 115C-238.29B(e) reads as rewritten:

"**§ 115C-238.29B. Eligible applicants; contents of applications; submission of applications for approval.**

...

(e) The State Board shall establish reasonable fees of no less than five hundred dollars (\$500.00) and no more than one thousand dollars (\$1,000) for initial and renewal charter applications, in accordance with Article 2A of Chapter 150B of the General Statutes. No application fee shall be refunded in the event the application is rejected or the charter is

1 revoked. Funds generated to the State Board through charter application fees shall not revert to
2 the General Fund."

3 **SECTION 7.15.(b)** This section becomes effective June 30, 2014.
4

5 **CAREER PATHWAYS PILOT PROGRAM**

6 **SECTION 7.16.(a)** Purpose and policy. The Governor and the General Assembly
7 find that it is essential to attract and retain the best people into the teaching profession. A
8 system that is perceived to offer stagnant wages, lifetime contracts, few valuable and
9 job-embedded professional development opportunities, and no extra pay for outstanding
10 performance cannot do that. Therefore, it is the policy of the State of North Carolina to provide
11 an adequate base salary for and to encourage differentiation of teachers based on their
12 contributions to the field; these contributions shall be focused on student achievement,
13 continuous improvement, leadership, and the ability to lead peers to improve their practice.

14 **SECTION 7.16.(b)** In furtherance of this policy, a career pathways pilot program
15 is hereby established. Funds are appropriated in this act for the State Board of Education to
16 begin implementation of a career pathways pilot program for one cohort of eight pilot school
17 districts beginning in 2015-2016 and continuing through 2017-2018, and, subject to
18 availability, a second cohort of eight pilot school districts shall be implemented beginning in
19 2016-2017 and continuing through 2017-2018. This pilot program shall remain in operation
20 through the 2017-2018 school year to enable the State Board and the General Assembly to
21 analyze all facets of each pilot school district's career pathways plan prior to statewide
22 implementation. Based on multiple measures of quality, the most effective pilots will be
23 offered up as "proof points" that can be replicated. It is the intent that this pilot program act as a
24 means of developing career pathways plans that can be implemented statewide in the future.

25 **SECTION 7.16.(c)** (1) Development and implementation of Plan by State Board.
26 — The State Board of Education shall develop, test, modify, and implement in a three-year
27 pilot program, a Career Pathways Plan (The Plan), which may include multiple career pathway
28 options developed by pilot school districts as well as a State default career pathway program
29 for pilot school districts to implement. The Plan shall be designed to improve the quality of
30 classroom instruction, to increase the attractiveness of teaching, and to encourage the
31 recognition, impact, and retention of high-quality teachers. The Plan shall cover teachers and
32 instructional support personnel who require certification by the State Board as a condition of
33 employment.

34 (2) The State Board of Education shall consult with local boards of various sizes
35 throughout the State on a continuous and systematic basis on the continuing development,
36 testing of pilot programs, modification, and implementation of the Plan. The State Board shall
37 also consult with any other public and private agencies, organizations, and professional
38 associations it deems necessary.

39 (3) The Plan shall be based on the North Carolina Teacher Evaluation system—a
40 continuous, comprehensive evaluation of teacher performance as indicated by multiple sources
41 of information. Classroom performance shall be a significant part of the evaluation process and,
42 evaluation shall be based on indicators associated with effective classroom practices and other
43 criteria, including student achievement outcomes.

44 (4) The Plan shall specify a process for administration, periodic review, and evaluation.
45 The criteria and procedures for advancement under the Plan shall be made public, and
46 information shall be provided for teachers about these criteria and procedures prior to the
47 implementation of the Plan.

1 (5) The career pathways pilot program shall specify a process under which each local
2 school administrative unit may select a career pathways program for use in its schools. The
3 career pathways pilot program will offer school districts a menu of options that include: (i)
4 career pathways programs developed by the pilot school districts and approved by the State
5 Board of Education; (ii) one or more State-created career pathways programs developed based
6 on the experience of pilot school districts; or (iii) a school district-created plan that meets the
7 principles of design set forth by the State Board of Education.

8 (6) The State Board of Education may adopt rules necessary to carry out the provisions
9 of this section. Notwithstanding Article 2A of Chapter 150B of the General Statutes, the State
10 Board of Education shall be exempt from rulemaking in establishing rules to carry out the
11 provisions of this section.

12 (7) The State Board of Education, in partnership with the Office of the Governor, shall
13 be responsible for administration of the career pathways pilot program and shall dedicate up to
14 three full-time staff persons in accordance with the following responsibilities:

- 15 a. Career Pathways Administrator 1: Leads oversight of pilot district selection,
16 oversight of career pathway development and piloting, and assessment of
17 pilots for possible statewide implementation. This position keeps the
18 Governor, State Board of Education, and the State Superintendent of Public
19 Instruction informed about progress toward goals of this legislation and any
20 activities that their entities must undertake to implement this legislation.
- 21 b. Career Pathways Administrator 2: Assists with subdivision (1) of this
22 subsection.
- 23 c. Career Pathways Administrator 3: Assists with subdivision (1) of this
24 subsection.

25 (7) The State Board of Education will approve pilot school district plans. Each of the
26 two pilot school district cohorts shall include two school districts with an average daily
27 membership (ADM) of equal to or less than 4,000; two school districts with an ADM of 4,001
28 to 10,000; two school districts with an ADM of 10,001 to 30,000; and two school districts with
29 an ADM of 30,001 or more.

30 **SECTION 7.16.(d)** Principles to guide local development of career pathways
31 programs. – Career pathways plans approved by the State Board of Education shall meet a set
32 of principles to ensure that these programs advance the purposes of this act. Each district career
33 pathways plan must:

- 34 (1) Create career pathways that enable teachers to progress within their careers
35 by taking on increasing responsibility for students and/or for the
36 development and success of their peers.
- 37 (2) Pay salary supplements of at least ten percent (10%) of the State teacher pay
38 for teachers who have received highly effective ratings consistently and who
39 assume advanced roles. Compensation received by a teacher as a result of
40 the district's participation in the Plan shall be paid as a bonus or supplement
41 to the teacher's regular salary and shall not be included in the average salary
42 calculation used for budgeting State allotments.
- 43 (3) Pay salary supplements of at least twenty-five percent (25%) of the State
44 teacher pay for teachers who have received highly effective ratings
45 consistently and who lead teams of two or more other teachers and are the
46 teachers of record for all students served by the teaching team.
47 Compensation received by a teacher as a result of the school district's
48 participation in the Plan shall be paid as a bonus or supplement to the

1 teacher's regular salary and shall not be included in the average salary
2 calculation used for budgeting State allotments.

- 3 (4) Achieve financial sustainability for career pathways pay supplements of, at a
4 minimum, the percentages specified above by reallocating local, private,
5 State, and/or federal funds.
- 6 (5) Increase the amount of time each teacher receiving payment from this fund
7 has during the school day for planning, collaboration, and on-the-job
8 development or leadership of others.
- 9 (6) Increase the percentage of students who have a highly effective teacher as
10 their teacher of record in at least English Language Arts, math, social
11 studies, and science to a minimum of seventy-five percent (75%) of students
12 in that subject by the third year of implementation through the roles that
13 constitute the career pathways program and reporting this percentage
14 annually for English Language Arts, math, social studies, and science.
- 15 (7) Establish eligibility requirements to remain in an advanced role no less
16 stringent than those required to attain that role.
- 17 (8) Ensure that teachers assuming advanced or leadership roles may move
18 voluntarily out of these roles. A voluntary departure from a role may not be
19 considered a demotion. If a teacher opts out of the career pathways plan, the
20 teacher's salary shall be the salary applicable to him or her on the State
21 salary schedule.
- 22 (9) Require that if the North Carolina Teacher Evaluation instrument indicates a
23 participating teacher is not maintaining the necessary highly effective ratings
24 for their advanced or leadership role, the teacher's salary shall be the salary
25 applicable to him or her on the State salary schedule.

26 For purposes of the pilots, receiving highly effective ratings "consistently" means in
27 two out of the past three years, and, in the years after the pilot, "consistently" shall be defined
28 by the State Board of Education in accordance with lessons of each pilot commensurate with
29 the stated purposes of this legislation.

30 **SECTION 7.16.(e) Matching.** – The career pathways pilot program provides one
31 hundred dollars (\$100.00) per ADM for teacher salary supplements for up to twenty-five
32 percent (25%) of ADM in each pilot school district. Funding from the career pathways pilot
33 program must be matched with local funds, private funds, and/or reallocation of State and
34 federal allotments to pay supplements to teachers in the career pathways program. Funding
35 from the career pathways pilot program must be matched at a minimum of one dollar (\$1.00)
36 for every one dollar (\$1.00) of State funds pursuant to Section 7.16(b) of this act provided for
37 teacher salary supplements.

38 **SECTION 7.16.(f) Implementation of Pilot Programs.** – By September 1, 2014, the
39 State Board of Education shall release a Request for Proposal (RFP) to local school
40 administrative units. By March 1, 2015, proposals shall be reviewed and voted on by the State
41 Board of Education with eight pilot school districts selected as the first cohort for
42 implementation beginning in July 2015. Between July 1, 2015, and July 1, 2018, the pilot
43 school districts selected for the first cohort shall implement their approved career pathways
44 plans. In 2015-2016, subject to fund availability, the State Board of Education shall designate a
45 panel of experts, which may include members of the State Board of Education, to select a
46 second cohort of eight pilot school districts through an RFP process to participate in the pilot
47 program in 2016-2017 and 2017-2018.

1 **SECTION 7.16.(g)** Flexible Funding. – For fiscal years beginning with the
2 2015-2016 fiscal year, notwithstanding G.S. 115C-105.25(5b), the State Board of Education
3 shall increase the flexibility in the use of State funds for pilot school districts by allowing
4 positions allocated for classroom teachers and instructional support personnel to be converted
5 to dollar equivalents for the purpose of increasing compensation for the following: (i) highly
6 effective teachers who become accountable for a greater number of students; (ii) highly
7 effective teachers who assume leadership roles that include accountability for student growth
8 across a team of teachers; and/or (iii) effective or highly effective teachers who are members of
9 teams led by highly effective teachers. These positions shall be converted at the first step of the
10 "A" Teacher Salary Schedule. The dollar equivalents for the converted positions shall be
11 treated as salary supplements and not included in the average salary calculation used for
12 budgeting State allotments. Positions shall only convert under an approved career pathways
13 plan under the policy established by the State Board of Education.

14 **SECTION 7.16.(h)** Report to the General Assembly. — Beginning in 2015-2016,
15 the State Board shall report on February 1 of each year to the President of the Senate, the
16 Speaker of the House of Representatives, and the Chairs of the Senate Appropriations/Base
17 Budget Committee, the House Appropriations Committee, the Senate Appropriations/Base
18 Budget Committee on Education, the House Appropriations Subcommittee on Education, and
19 the Fiscal Research Division on the continuing development and the implementation of the
20 Career Pathways Plan.

21 22 **PART VIII. COMMUNITY COLLEGES**

23 24 **PROCESS FOR PERIODICALLY REVISING ENROLLMENT TIERS**

25 **SECTION 8.1.** The State Board of Community Colleges shall develop a process
26 for periodically reviewing and revising how courses and programs are classified into tiers in the
27 enrollment funding model. The process shall be developed by March 1, 2015, and reported to
28 the Office of State Budget and Management and the Fiscal Research Division of the North
29 Carolina General Assembly.

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

33 34 **MILITARY VETERANS RESIDENT TUITION**

35 **SECTION 8.2.** G.S. 115D-5 is amended by adding a new subsection to read:

36 "**(b2)** The State Board of Community Colleges shall charge in-State tuition and
37 registration fees to military veterans, who otherwise would not meet the residency requirements
38 set forth in G.S. 116-143.1, if the veteran satisfies the following criteria:

- 39 (1) The veteran was relieved or discharged from service in the Armed Forces, as
40 defined in G.S. 116-143.3(a)(2), under other than dishonorable conditions.
 - 41 (2) The veteran served for at least four years, some portion of the time while
42 stationed in North Carolina.
 - 43 (3) The veteran has his or her official Home of Record address in North
44 Carolina documented by the Armed Forces or resides in the State at the time
45 of enrollment.
 - 46 (4) The veteran enrolls at a North Carolina community college within two years
47 of exiting service from the Armed Forces of the United States."
- 48

WORKERS' COMPENSATION

SECTION 8.3.(a) G.S. 115D-23 reads as rewritten:

"§ 115D-23. Workers' Compensation Act applicable to institutional employees.

The provisions of Chapter 97 of the General Statutes of North Carolina, the Workers' Compensation Act, shall apply to all institutional employees. ~~The State Board of Community Colleges shall make the necessary arrangements to carry out those provisions of Chapter 97 which are applicable to employees whose wages are paid in whole or in part from State funds. The State shall be liable for compensation, based upon the average weekly wage as defined in the act, of an employee regardless of the portion of his wage paid from other than State funds.~~

The board of trustees of each institution shall be liable for workers' compensation for employees whose salaries or wages are paid by the board entirely from local public or special funds. ~~employees.~~ Each board of trustees is authorized to purchase insurance to cover workers' compensation liability and ~~to~~ may include the cost of insurance in the annual budget of the institution.

The provisions of this section shall not apply to any person, firm or corporation making voluntary contributions to institutions for any purpose, and such a person, firm, or corporation shall not be liable for the payment of any sum of money under the provisions of this section."

SECTION 8.3.(b) G.S. 115D-58.12(a) reads as rewritten:

(a) Boards of trustees may purchase liability insurance only from companies duly licensed and authorized to sell insurance in this State or from other qualified companies as determined by the Department of Insurance. Each contract of insurance must, by its terms, adequately insure the board of trustees against any and all liability for any damages by reason of death or injury to person or property proximately caused by the negligence or torts of the agents and employees of such board of trustees or institution when acting within the scope of their authority or the course of their employment. All costs related to any such claims, including the cost of insurance, shall be paid with non-State funds. Any company which enters into such a contract of insurance with a board of trustees by such act waives any defense based upon the governmental immunity of such board."

SECTION 8.3.(c) G.S. 143-291(a) reads as rewritten:

"(a) The North Carolina Industrial Commission is hereby constituted a court for the purpose of hearing and passing upon tort claims against the State Board of Education, the Board of Transportation, and all other departments, institutions and agencies of the State. The Industrial Commission shall determine whether or not each individual claim arose as a result of the negligence of any officer, employee, involuntary servant or agent of the State while acting within the scope of his office, employment, service, agency or authority, under circumstances where the State of North Carolina, if a private person, would be liable to the claimant in accordance with the laws of North Carolina. If the Commission finds that there was negligence on the part of an officer, employee, involuntary servant or agent of the State while acting within the scope of his office, employment, service, agency or authority that was the proximate cause of the injury and that there was no contributory negligence on the part of the claimant or the person in whose behalf the claim is asserted, the Commission shall determine the amount of damages that the claimant is entitled to be paid, including medical and other expenses, and by appropriate order direct the payment of damages as provided in subsection (a1) of this section, but in no event shall the amount of damages awarded exceed the amounts authorized in G.S. 143-299.2 cumulatively to all claimants on account of injury and damage to any one person arising out of a single occurrence. ~~Community colleges and technical colleges shall be deemed State agencies for purposes of this Article.~~ The fact that a claim may be brought under

1 more than one Article under this Chapter shall not increase the foregoing maximum liability of
2 the State."

3 **SECTION 8.3.(d)** G.S. 143-300.2(4) reads as rewritten:

4 "(4) "The State" includes all departments, agencies, boards, commissions,
5 institutions, bureaus, and authorities of the State. ~~Community colleges,~~
6 ~~technical colleges, and occupational~~ Occupational licensing boards regulated
7 by Chapter 93B of the General Statutes shall be deemed State agencies for
8 purposes of this Article."

9 **SECTION 8.3.(e)** This section becomes effective July 1, 2014, and applies to
10 workers' compensation claims arising from events occurring on or after that date.

11
12 **PERMIT NCCCS TO TRANSFER CUSTOMIZED INDUSTRY TRAINING (CIT)**
13 **FUNDS TO DEPARTMENT OF COMMERCE TO OFFSET APPRENTICESHIP FEES**

14 **SECTION 8.4.(a)** Using funds appropriated in this act for the Customized Industry
15 Training Program, and pursuant to G.S. 115D-5.1, the State Board of Community Colleges
16 shall transfer three hundred thousand dollars (\$300,000) to the Department of Commerce to
17 offset fee revenue lost when apprenticeship fees assessed under G.S. 94-12 are waived.

18 **SECTION 8.4.(b)** This section shall expire June 30, 2015.

19
20 **MAINTAIN AUDIT SERVICES DIVISION**

21 **SECTION 8.5.** Section 10.15(a) of S.L. 2013-360 is repealed.

22
23 **FEES COLLECTED AND ASSESSED BY THE MANUFACTURING SOLUTIONS**
24 **CENTER AND THE TEXTILE TECHNOLOGY CENTER**

25 **SECTION 8.6.** The State Board of Community Colleges shall report, no later than
26 March 1, 2015, to the Joint Legislative Education Oversight Committee, the Fiscal Research
27 Division, and the Office of State Budget and Management on the structure of the fees assessed
28 and the total fees collected by the Manufacturing Solutions Center at Catawba Valley
29 Community College and by the Textile Technology Center at Gaston College during the
30 2012-2013 and 2013-2014 fiscal years.

31
32 **PART IX. UNIVERSITIES**

33
34 **NC SCHOLARSHIP FOR THE EDUCATION OF RETURNING VETERANS (NC**
35 **SERV)**

36 **SECTION 9.1.(a)** North Carolina Scholarship for the Education of Returning
37 Veterans Grants. – In addition to the funds appropriated in Section 6.11(e) of S.L. 2013-360 for
38 the 2013-2015 fiscal biennium, that section, as amended by Section 6.3(a) of this act,
39 appropriates an additional five million dollars (\$5,000,000) to the Board of Governors for the
40 2014-2015 fiscal year and allocated to the State Education Assistance Authority (SEAA) for
41 grants to support the education of certain recent veterans who do not qualify for the in-State
42 tuition rate under G.S. 116-143.3. The SEAA shall begin awarding grants no later than July 1,
43 2015, for enrollment at any constituent institution of The University of North Carolina
44 beginning with the 2015-2016 academic year.

45 **SECTION 9.1.(b)** Grant Eligibility. – A recent veteran is eligible to receive a grant
46 under this section if the veteran satisfies all of the following criteria:

47 (1) The veteran was relieved or discharged from service in the Armed Forces, as
48 defined in G.S. 116-143.3(a)(2), under other than dishonorable conditions.

- 1 (2) The veteran served in the Armed Forces the equivalent of at least four years,
2 some portion of the time while stationed in North Carolina.
- 3 (3) The veteran had a home of record address in North Carolina documented by
4 the Armed Forces or resides within North Carolina at the time of enrollment.
- 5 (4) The veteran enrolls or is accepted for enrollment at a constituent institution
6 of The University of North Carolina as defined in G.S. 116-2(4) within two
7 years of exiting service in the Armed Forces.
- 8 (5) The veteran is classified by the constituent institution as a first-time
9 candidate for a baccalaureate degree in a defined program of study on at
10 least a half-time basis.
- 11 (6) The veteran does not otherwise qualify for the in-State tuition rate at the
12 constituent institution of The University of North Carolina at which the
13 student is enrolled.

14 **SECTION 9.1.(c)** Administration of Grants. – The grants provided for in this
15 section shall be administered by the SEAA pursuant to guidelines and procedures established
16 by the SEAA not inconsistent with this section, which guidelines and procedures may include
17 an application deadline, a priority system for awarding grants based on enrollment status,
18 disbursement procedures, and standards for refunding grants when a student withdraws. The
19 minimum amount of the grant for full-time enrollment in the 2015-2016 academic year shall be
20 seven thousand five hundred dollars (\$7,500). The maximum amount of the grant may not
21 exceed the difference between the in-State tuition rate and the out-of-state tuition rate at the
22 constituent institution. In no event, however, shall the amount of the grant, when accounted for
23 in combination with all other grants, educational benefits, and any other financial aid available
24 to the veteran, cause the total of all such assistance to exceed the total cost of attendance at the
25 constituent institution as determined in accordance with Title IV of the Higher Education Act
26 of 1965, as amended. The grant is limited to two semesters and shall not be used for any
27 remedial or developmental coursework. In order for the veteran to remain eligible for the grant
28 for the second semester, the veteran must maintain satisfactory academic progress as
29 determined by the constituent institution.

30 Subject to the stipulations provided in this section, the SEAA shall have the power
31 to determine the actual grant amounts disbursed and award grants first to eligible veterans
32 enrolling on a full-time basis who apply by the deadline established by the SEAA in the event
33 that there are not sufficient funds to award each eligible veteran the maximum amount for the
34 2015-2016 academic year. In addition, the SEAA may provide grants to any current member of
35 the Armed Forces who has been charged the out-of-state tuition rate at a constituent institution
36 for the 2015-2016 academic year. Any unexpended grant funds shall not revert and remain
37 available to the SEAA to be awarded for future grants under this section.

38 The SEAA may use one and one-half percent (1.5%) of the funds appropriated for
39 grants under this section for administrative purposes.

40 **SECTION 9.1.(d)** A recent veteran who is eligible to receive a grant under this
41 section shall be considered a resident of North Carolina for the purposes of determining
42 eligibility for the Forgivable Education Loans for Service Program under G.S. 116-209.45(e).

43 **SECTION 9.1.(e)** The SEAA shall study the cost and impact of extending
44 eligibility of recent veterans as defined in subsection (b) of this section to receive the
45 Need-Based Scholarships for Students Attending Private Institutions of Higher Education as
46 governed by Article 34 of Chapter 116 of the General Statutes. The SEAA shall report its
47 findings to the Office of State Budget and Management, the Fiscal Research Division of the

1 North Carolina General Assembly, the Joint Legislative Education Oversight Committee, and
2 the North Carolina Independent Colleges and Universities by October 1, 2014.

4 **UNC TWO PERCENT MANAGEMENT FLEXIBILITY REDUCTION**

5 **SECTION 9.2.(a)** The management flexibility reduction for The University of
6 North Carolina in the amount of forty-four million thirty-seven thousand two hundred ninety
7 dollars (\$44,037,290) shall not be allocated by the Board of Governors to the constituent
8 institutions and affiliated entities using an across-the-board method but in a manner that
9 recognizes the importance of the academic mission and differences among The University of
10 North Carolina entities.

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

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

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

28 **SECTION 9.2.(b)** In allocating this management flexibility reduction, no reduction
29 in State funds shall be allocated to any of the following:

- 30 (1) Need-Based Financial Aid.
- 31 (2) Aid to Private Colleges.
- 32 (3) University of North Carolina at Asheville.
- 33 (4) University of North Carolina School of the Arts.
- 34 (5) North Carolina School of Science and Mathematics.
- 35 (6) Elizabeth City State University.
- 36 (7) Fayetteville State University.
- 37 (8) Winston-Salem State University.

38 **SECTION 9.2(c)** The University of North Carolina shall report on the
39 implementation of the management flexibility reduction as provided by Section 9.2(a) of this
40 act to the Office of State Budget and Management and the Fiscal Research Division no later
41 than October 1, 2014. This report shall identify the following by campus:

- 42 (1) The total number of positions eliminated by type; and
- 43 (2) Low-performing, redundant, and low-enrollment programs that were
44 eliminated.

46 **REPORT ON CFNC FINANCIAL SUSTAINABILITY**

47 **SECTION 9.3.** No later than December 1, 2014, the State Education Assistance
48 Authority shall report to the Office of State Budget and Management and the Fiscal Research
DRS35537-MDfa-117 (05/13)

1 Division of the General Assembly on its progress toward funding operations of the College
2 Foundation of North Carolina entirely from non-General Fund sources. This report shall
3 include:

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

10 REPORT ON INSTITUTIONAL TRUST FUNDS

11 **SECTION 9.4.** G.S. 116-36.1(e) reads as rewritten:

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

15 UNC CAPITAL PROJECTS FUNDED FROM OPERATING FUNDS

16 **SECTION 9.5.(a)** G.S. 143C-8-12 reads as rewritten:

17 "**§ 143C-8-12. University system capital improvement projects from sources that are not**
18 **General Fund sources: approval of new project or change in scope of existing**
19 **project.**

20 (a) Notwithstanding any other provision of this Chapter, the Board of Governors of The
21 University of North Carolina may approve: (i) expenditures to plan a capital improvement
22 project of The University of North Carolina the planning for which is to be funded entirely with
23 non-General Fund money, (ii) expenditures for a capital improvement project of The University
24 of North Carolina that is to be funded and operated entirely with non-General Fund money, or
25 (iii) a change in the scope of any previously approved capital improvement project of The
26 University of North Carolina provided that both the project and change in scope are funded
27 entirely with non-General Fund money. The Board of Governors shall report any expenditure
28 made pursuant to this section to the Office of State Budget and Management and to the Joint
29 Legislative Commission on Governmental Operations.

30 (b) For the purposes of G.S. 143C-8-12(a), the term "non-General Fund money"
31 includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and
32 G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-4-3(b)."

33 **SECTION 9.5.(b)** G.S. 116-13.1 reads as rewritten:

34 "**§ 116-13.1. Capital facilities; ~~reports; chancellors may authorize certain repair,~~**
35 **~~renovation, and maintenance projects.~~reports.**

36 ...

37 (c) ~~Approval of Certain Repair and Maintenance Projects. — Notwithstanding~~
38 ~~G.S. 143C 8-7, the chancellor of a constituent institution may approve the expenditure of~~
39 ~~available operating funds in an amount not to exceed one million dollars (\$1,000,000) per~~
40 ~~project for projects that are of a type listed in G.S. 143C 4-3(b) and that are for State facilities~~
41 ~~and related infrastructure that are supported from the General Fund. Funds contractually~~
42 ~~obligated to an approved project shall not revert at the end of the fiscal year and will remain~~
43 ~~available to fund the completion of the project. Projects approved pursuant to this subsection~~
44 ~~shall in all other respects accord with applicable laws governing capital improvement projects.~~
45 ~~The chancellor of a constituent institution shall report the approval of an expenditure under this~~
46 ~~subsection to the Office of State Budget and Management and to the Fiscal Research Division~~
47 ~~of the Legislative Services Commission within 60 days of the approval."~~

REPORT ON ACADEMIC SUMMER BRIDGE

SECTION 9.6. No later than November 1, 2014, the Board of Governors of the University of North Carolina shall report to the Office of State Budget and Management and the Joint Education Legislative 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.

ASSESS SAME TUITION RATE FOR ALL NONRESIDENT FULL-SCHOLARSHIP STUDENTS

SECTION 9.7.(a) G.S. 116-143.6 is repealed.

SECTION 9.7.(b) This section becomes effective June 30, 2014.

AMEND ENERGY CONSERVATION SAVINGS REQUIREMENTS

SECTION 9.8. G.S. 116-30.3B reads as rewritten:

"§ 116-30.3B. Energy conservation savings.

(a) In addition to the funds carried forward under G.S. 116-30.3, the General Fund current operations appropriations credit balance remaining at the end of each fiscal year for utilities of a constituent institution that is energy savings realized from implementing an energy conservation measure ~~shall~~may be carried forward by the institution to the next fiscal year. Sixty percent (60%) of the energy savings realized shall be utilized for energy conservation measures by that institution. The use of funds under this section shall be limited to onetime capital and operating expenditures that will not impose additional financial obligations on the State. 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.

(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 budget requirements for utilities for constituent institutions by the amount of energy savings ~~realized~~required to pay total costs associated with ~~from implementing energy conservation measures, including savings achieved through~~ a guaranteed energy savings contract pursuant to Article 3B of Chapter 143 of the General Statutes.

...."

INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR HBCU STUDENTS

SECTION 9.9.(a) The sum of three hundred seventeen thousand five hundred dollars (\$317,500) for the 2014-2015 fiscal year shall be used by the Board of Governors of the University of North Carolina to establish a pilot internship program to provide internships and career-based opportunities for students attending Historically Black Colleges and Universities (HBCUs) in North Carolina.

SECTION 9.9.(b) The pilot program shall include Elizabeth City State University and three HBCUs selected through a competitive application process. Of the three institutions selected through a competitive process, one shall be a constituent institution of the University of North Carolina and two shall be private colleges or universities located in North Carolina.

1 **SECTION 9.9.(c)** Of the funds made available by this section, the University of
2 North Carolina may use up to five percent (5%) for costs associated with administering this
3 pilot program.

4 **SECTION 9.9.(d)** No later than March 1, 2015, the University of North Carolina
5 shall report to the Office of State Budget and Management and the Joint Education Legislative
6 Oversight Committee on the implementation of this pilot program. The report shall include
7 recommendations and a detailed estimate of costs associated with expanding the program to all
8 constituent institutions of the University of North Carolina System designated an HBCU.

10 **UNC BUDGET PREPARATION**

11 **SECTION 9.10.** G.S. 116-30.7 reads as rewritten:

12 "**§ 116-30.7. Biennial projection of enrollment growth for The University of North**
13 **Carolina.**

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

28 **UNC STRATEGIC PLAN FUNDS**

29 **SECTION 9.11.** Section 11.13 of S.L. 2013-360 reads as rewritten:

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

38 **STUDENT FINANCIAL AID/SEMESTER LIMIT**

39 **SECTION 9.12.** Section 11.15(h) of S.L. 2013-360 reads as rewritten:

40 "**SECTION 11.15.(h)** The State Education Assistance ~~Authority~~ Authority, in consultation
41 with the University of North Carolina, the North Carolina Community College System, and the
42 NC Independent Colleges and Universities, shall study ways to structure its financial aid
43 payment schedules to encourage students to complete an average of 30 credit hours per
44 academic year. The State Education Assistance Authority shall report to the Joint Legislative
45 Education Oversight Committee by ~~March 1, 2014,~~ October 1, 2015, regarding the ~~measures~~
46 ~~implemented by the Authority pursuant to this subsection~~ outcomes of this study."

48 **SITE PLANNING FOR SCHOOL OF SCIENCE AND MATH EXPANSION**

1 **SECTION 9.13.(a)** If the Board of Governors of The University of North Carolina
2 and the North Carolina School of Science and Mathematics (School of Science and Math)
3 jointly determine that an additional School of Science and Math campus is needed, then the
4 School for the Deaf campus in Morganton shall be considered as a potential site.

5 **SECTION 9.13.(b)** If it is determined that the School for the Deaf is not a suitable
6 site for the location of a western campus, the Board of Governors and School of Science and
7 Math, in consultation with the Department of Administration, may consider other sites in
8 western North Carolina that are available as a site.

9 10 **UNC GAME CHANGING RESEARCH**

11 **SECTION 9.14.** Two million dollars (\$2,000,000) is appropriated in this act to
12 implement game changing research investments as identified in the University of North
13 Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North
14 Carolina Compact with North Carolina."

15 16 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

17 18 **FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION** 19 **SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

20 **SECTION 10.1.** Section 12A.4.(a) of S.L. 2013-360 reads as rewritten:

21 "**SECTION 12A.4.(a)** The Secretary of the Department of Health and Human Services
22 may utilize prior year earned revenue received for the replacement MMIS ~~in the amount of nine~~
23 ~~million six hundred fifty eight thousand one hundred fifty two dollars (\$9,658,152) for the~~
24 ~~2013-2014 fiscal year and in the amount of one million six hundred sixty six thousand six~~
25 ~~hundred twenty five dollars (\$1,666,625)~~six million eight hundred ninety thousand six hundred
26 dollars (\$6,890,600) for the 2014-2015 fiscal year. In the event the Department does not
27 receive prior year earned revenues in the amounts authorized by this section, or funds are
28 insufficient to advance the project, the Department may, with prior approval from the Office of
29 State Budget and Management (OSBM), utilize overrealized receipts and funds appropriated to
30 the Department to achieve the level of funding specified in this section for the replacement
31 MMIS."

32 33 **FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES** 34 **THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY** 35 **DETERMINATIONS FOR THE EXCHANGE**

36 **SECTION 10.2.** Section 12A.6.(a) of S.L. 2013-360 read as rewritten:

37 "**SECTION 12A.6.(a)** Funds appropriated in this act in the amount of eight hundred
38 sixty-four thousand six hundred fifty-five dollars (\$864,655) for State fiscal year 2014-2015
39 along with prior year earned revenue in the amount of four million one hundred thirty-eight
40 thousand two dollars (\$4,138,002) and the cash balance in Budget Code 24410 Fund 2411 for
41 the North Carolina Families Accessing Services through Technology (NC FAST) project shall
42 be used to match federal funds in fiscal years ~~2013-2014 and year~~ 2014-2015 to expedite the
43 development and implementation of the Eligibility Information System (EIS), Child Care, Low
44 Income Energy Assistance, and Crisis Intervention Programs, and Child Service components of
45 the NC FAST project."

46 47 **NONPROFIT AND UNIVERSITY CONTRACT REDUCTION**

SECTION 10.3. The Department of Health and Human Services shall reduce the amount of funds allocated to nonprofit organizations and contracts with universities by three million dollars (\$3,000,000) on a recurring basis. In achieving the reductions required by this section, the Department (i) shall minimize reductions to funds allocated to nonprofit organizations and universities for the provision of direct services, (ii) shall seek to achieve administrative efficiencies in contractual arrangements, (iii) shall maximize the use of other funds to the extent possible to support contracts to avoid service impacts, and (iv) shall not reduce programmatic funding to the NC Pre-Kindergarten Program or funds used to provide subsidized child care services to children.

LOAN REPAYMENT FUND USAGE

SECTION 10.4. The Department of Health and Human Services, Office of Rural Health and Community Care, shall use funds appropriated in this act for loan repayment to medical, dental, and psychiatric providers in communities and State hospitals to combine all loan repayment programs in order to achieve efficient and effective management of the programs. The loan repayment programs to be combined under this section are (i) the Physician Loan Repayment Program, (ii) the Psychiatric Loan Repayment Program, and (iii) the Loan Repayment Initiative at State Facilities. These funds shall be used for the following purposes:

- (1) Continue to fund the State Loan Repayment Program for primary care providers and expand State incentives to general surgeons practicing in Critical Access Hospitals (CAHs) located across the State; and
- (2) Expand the State Loan Repayment Program to include eligible providers residing in North Carolina who use telemedicine in rural and underserved areas.

CHILD CARE ALLOCATION FORMULA ADJUSTMENT

SECTION 10.5. Section 12B.4.(a)(3) of S.L. 2013-360 reads as rewritten:

- (3) For ~~fiscal years 2013-2014 and 2014-2015~~, fiscal year 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~~ the most current available Census data. The resulting changes to allocations shall be implemented over a 4-year period by applying twenty-five percent (25%) of the change each year in order to mitigate significant increases and decreases in county allocations."

SMART START MAINTENANCE OF EFFORT AND MATCH REQUIREMENT

SECTION 10.6. For fiscal year 2014-2015, the local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars (\$52,000,000) for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement.

SUBSIDIZED CHILD CARE MARKET RATE ADJUSTMENT

SECTION 10.7. Not later than October 1, 2014, the Department may implement an adjustment to child care market rates for children through age two, based upon the 2013 Child Care Market Rate Study. Rate adjustments shall be implemented as follows:

- (1) For four- to five-star child care center-based rates, for Infants and Toddlers and Two-Year-Olds counties may receive up to fifty percent (50%) of the

recommended rate adjustment as defined in the 2013 Child Care Market Rate Study.

- (2) For four- to five-star child care home-based rates, for Infants, One-Year-Olds and Two-Year-Olds, all counties may receive up to fifty percent (50%) of the recommended rate adjustment as defined in the 2013 Child Care Market Rate Study.

The Department shall ensure that market rate adjustments provide greater access to high-quality care.

REDIRECT PORTION OF TRANSFER TO HOUSING FINANCE AGENCY TO INCREASE UTILIZATION OF KEY PROGRAM RENTAL ASSISTANCE UNITS

SECTION 10.8. To help increase targeted housing placements, the Department of Health and Human Services may redirect up to two hundred fifty-five thousand dollars (\$255,000) in funding from the amount given the North Carolina Housing Finance Agency for the Key Program to establish and support three positions to assist in managing outreach, referral, and service linkage oversight activities for the Targeted Housing Program and the North Carolina's Section 811 Project Rental Assistance. The North Carolina Housing Finance Agency may use up to eighty-five thousand dollars (\$85,000) of the funds it receives from the Department of Health and Human Services for the Targeted Housing Program to provide administrative support for this program.

ALLOW COUNTIES TO USE HCCBG FUNDING TO SUPPORT VOLUNTEER SERVICE

SECTION 10.9. The Department of Health and Human Services, Division of Aging and Adult Services, shall reinstate the Volunteer Development Program as a service under the Home and Community Care Block Grant. Of the funds received, local counties may elect to use the volunteer program to provide services to older adults.

WELL WATER SAMPLE FEES

SECTION 10.10. G.S. 130A-5(16) reads as rewritten:

"(16) To charge a fee of ~~up to fifty five dollars (\$55.00)~~ seventy-three dollars and ninety-five cents (\$73.95) 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 fully allocated 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."

CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES

SECTION 10.11. Section 12E.4 of S.L. 2013-360 reads as rewritten:

"SECTION 12E.4. In order to achieve the reduced amount of State funds appropriated in this act for the Children's Developmental Service 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 not be required to eliminate 160 CDSA positions effective July 1, 2014, as referenced in the committee report referred in Section 38.4 of S.L.

1 2013-360 as long as the budget savings are achieved and the scope of the budget is not
2 increased. The Department shall retain the CDSA located in the City of Morganton and the
3 CDSAs with the highest caseloads of children residing in rural and medically underserved
4 areas. If the Department elects to close one or more CDSAs pursuant to this section, it shall
5 submit a report to the Joint Legislative Oversight Committee on Health and Human Services
6 and the Fiscal Research Division no later than March 1, 2014, identifying the CDSAs selected
7 for closure."
8

9 **AIDS DRUG ASSISTANCE PROGRAM (ADAP) INSURANCE COMPLETION PILOT**
10 **AND MODIFIED ADJUSTED GROSS INCOME (MAGI)**

11 **SECTION 10.12.(a)** The Department of Health and Human Services, Division of
12 Public Health, AIDS Drug Assistance Program (ADAP), shall conduct a two-year pilot in
13 calendar years 2015 and 2016 using State appropriations, to the extent that funding is available,
14 to provide health insurance support for "Insurance Completion" services for eligible
15 HIV-positive clients. "Insurance Completion" may include medication co-payments,
16 medication coinsurance, medication payments toward deductibles, medication payments during
17 coverage gaps, and the client's share of health insurance premiums for private insurance and
18 Medicare (after federal subsidies are applied). The Department shall not implement the pilot
19 program until it obtains actuarial services to ensure the cost-neutrality or cost-savings of
20 providing health insurance support for "Insurance Completion" services. If the Secretary of the
21 Department of Health and Human Services determines that implementation will be cost-neutral
22 or achieve savings, the pilot shall occur in two phases:

- 23 (1) Phase 1. – Beginning during open enrollment for calendar year 2015, the
24 Department may enroll up to 1,000 eligible ADAP clients in the
25 federally-facilitated health benefit exchange under the Affordable Care Act
26 (ACA) using ADAP funds to cover the cost of medication cost-sharing
27 (client medication co-payments, medication coinsurance, medication
28 payments toward deductibles, and medication payments during coverage
29 gaps). Prior to the start of Phase 1, the program shall enroll a small number
30 of clients to test payment systems and projections.
- 31 (2) Phase 2. – After actuarial analysis projects at least cost-neutrality or
32 cost-savings to ADAP, and after payment structures are in place to provide
33 both medication cost-sharing and coverage for the cost of monthly insurance
34 premiums for insurance using the health benefit exchange, the Department
35 may enroll up to 2,000 eligible ADAP clients in the pilot and may cover the
36 cost of medication cost-sharing and health insurance premiums. The pilot
37 shall incur a per-client cost of no greater than the program's SFY 2013-2014
38 annual cost per enrolled client.

39 **SECTION 10.12.(b)** The Department may contract with a vendor to evaluate the
40 results of the pilot program. By no later than April 1, 2017, the Department shall report to the
41 Joint Legislative Oversight Committee on Health and Human Services, the Senate
42 Appropriations Committee on Health and Human Services, and the House Appropriations
43 Subcommittee on Health and Human Services on the results of the pilot. The report shall
44 include information on number of pilot participants, participant satisfaction, and health
45 outcome measures for pilot participants.

46 **SECTION 10.12.(c)** If required to continue to receive federal funds, the
47 Department may initiate use of the Modified Adjusted Gross Income (MAGI) formula in the
48 calculation of income for the purpose of eligibility determination for ADAP benefits. Prior to

1 implementation of any changes related to MAGI, a detailed analysis must be completed to
 2 determine the budgetary impact, including administrative costs, and the effect on ADAP
 3 clients.

4
 5 **SPECIAL ASSISTANCE PAYMENTS**

6 **SECTION 10.13** G.S. 143B-139.5 reads as rewritten:

7 "**§ 143B-139.5. Department of Health and Human Services; adult care State/county share**
 8 **of costs; ~~maintenance of State/county budget allocations for State-County~~**
 9 **~~Special Assistance programs.~~costs.**

10 State funds available to the Department of Health and Human Services shall pay fifty
 11 percent (50%), and the counties shall pay fifty percent (50%) of the authorized rates for care in
 12 adult care homes including area mental health agency-operated or contracted-group homes. The
 13 ~~Department shall maintain the State's appropriation to the State-County Special Assistance~~
 14 ~~program at one hundred percent (100%) of the State certified budget enacted by the General~~
 15 ~~Assembly for the 2012-2013 fiscal year. The Department shall use these appropriated funds for~~
 16 ~~the State-County Special Assistance program, the State-County Special Assistance in home~~
 17 ~~program, and rental assistance. Each county department of social services shall maintain its~~
 18 ~~allocation to the State-County Special Assistance program at one hundred percent (100%) of~~
 19 ~~the county funds budgeted for this program for the 2011-2012 fiscal year. Each county shall use~~
 20 ~~these funds for the State-County Special Assistance program, the State-County Special~~
 21 ~~Assistance in home program, and rental assistance."~~

22
 23 **MEDICAL ASSISTANCE MEDICAID ESTATE RECOVERY PLAN**

24 **SECTION 10.14.** G.S.108A-70.5 is amended by adding a new subsection to read:

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

29
 30 **MEDICAL ASSISTANCE DRUG REIMBURSEMENT AMOUNTS**

31 **SECTION 10.15.** Section 12H.13 of S.L. 2013-360 reads as rewritten:

32 "...

33 "**SECTION 12H.13.(f)** Effective January 1, 2014, the following changes are made to drug
 34 reimbursements:

- 35 (1) Specialty drug prices based on the Wholesale Acquisition Cost (WAC) shall
 36 be paid at one hundred one percent (101%) of WAC.
- 37 (2) Non-specialty drug prices based on WAC shall be paid at one hundred two
 38 and seven-tenths percent (102.7%) of WAC.
- 39 (3) Prices based on the State Medicaid Average Costs (SMAC) shall be paid at
 40 one hundred fifty percent (150%) of SMAC.
- 41 (4) The rate for dispensing brand drugs is reduced by one dollar (\$1.00).two
 42 dollars (\$2.00).
- 43 (5) The rates for dispensing generic drugs are as follows, based on the
 44 percentages of generic drugs dispensed by the pharmacy in the previous
 45 quarter:

Percentage Tier	Rate
Greater than or equal to 80%	\$7.75
Greater than or equal to 75% and less than 80%	\$5.50

Greater than or equal to 70% and less than 75%	\$2.00
Less than 70%	\$1.00

...
"SECTION 12H.13.(h) Notwithstanding the provisions of subsection (f) of this section, and in the event of federal drug pricing changes, the Department of Health and Human Services shall adjust the rate for dispensing drugs to offset the impact to providers of any such changes. Any actions taken under this subsection shall be reported to the Joint Legislative Appropriation Chairs, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division, along with the Office of State Budget and Management."

MEDICAL ASSISTANCE PRIOR AUTHORIZATION OF MENTAL HEALTH DRUGS

SECTION 10.16. Section 12H.13(g) of S.L. 2013-360, as amended by Section 4.4 of S.L. 2013-363, reads as rewritten:

"SECTION 12H.13.(g) In order to achieve cost-savings and improve health outcomes, the Department of Health and Human Services, Division of Medical Assistance, may impose prior authorization requirements and other restrictions on medications prescribed to Medicaid and Health Choice recipients for the treatment of mental illness, including, but not limited to, prior authorization requirements and restrictions on (i) medications on the Preferred Drug List (PDL) that are prescribed for the treatment of mental illness and (ii) medications for attention deficit hyperactivity disorder (ADHD) or attention deficit disorder (ADD) that are prescribed to juveniles for off-label uses. ~~Notwithstanding the foregoing, the Department shall not require prior authorization for medications on the Preferred Drug List (PDL) that are prescribed for the treatment of mental illness.~~

MEDICAL ASSISTANCE SHARED SAVINGS PLAN WITH PROVIDERS

SECTION 10.17. Section 12H.18 of S.L. 2013-360 reads as rewritten:

~~**"SECTION 12H.18.(a)** The Department of Health and Human Services shall consult with providers affected by subsection (b) of this section to develop a shared savings plan that the Department shall implement by July 1, 2014, with provider payments beginning January 1, 2015. The shared savings plan shall provide incentives to provide effective and efficient care that results in positive outcomes for Medicaid and NC Health Choice recipients. Payments under the shared savings plan shall be paid from funds withheld under subsection (b) of this section, and payments to members of a particular provider group shall come from the funds withheld from that group.~~

"SECTION 12H.18.(b) During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall withhold three percent (3%) of 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.

1 Funds from payments withheld under this section that are budgeted to be shared with providers
2 shall not revert to the General Fund.

3 ...

4 **"SECTION 12H.18.(d)** The Department of Health and Human Services shall use funds
5 withheld from payments for drugs to develop with Community Care of North Carolina (CCNC)
6 a program for Medicaid and Health Choice recipients based on the CheckMeds NC program.
7 The program shall include the following:

- 8 (1) At least 50 community pharmacies by June 30, 2015.
- 9 (2) At least 500 community pharmacies in at least 70 counties by June 30, 2016.
- 10 (3) A per member per month (PMPM) payment for care coordination and
11 population health services provided in conjunction with CCNC.
- 12 (4) A pay for performance payment."

13
14 **MEDICAL ASSISTANCE MODIFY HOSPITAL PROVIDER ASSESSMENTS BY**
15 **CHANGING AMOUNT RETAINED BY STATE**

16 **SECTION 10.18.(a)** G.S. 108A-121(8) reads as rewritten:

17 "(8) State's annual Medicaid payment. – For an assessment collected under this
18 Article, an amount equal to ~~twenty five and nine tenths percent~~
19 ~~(25.9%)~~twenty-eight and eighty-five hundredths percent (28.85%) of the
20 total amount collected under the assessment."

21 **SECTION 10.18.(b)** G.S. 108A-124(b) reads as rewritten:

22 "(b) Quarterly Payments. – Within seven business days following the due date for each
23 quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

24 (1) Transfer to the State Controller twenty-five percent (25%) of the State's
25 annual Medicaid payment amount.

26 ~~(1)(2)~~ Pay to each hospital that has paid its equity assessment for the respective
27 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A
28 hospital's Medicaid equity payment amount is the sum of the hospital's
29 Medicaid inpatient and outpatient deficits after calculating all other
30 Medicaid payments, excluding disproportionate share hospital payments and
31 the UPL payment remitted to the hospital under subdivision ~~(2)~~(3) of this
32 subsection.

33 ~~(2)(3)~~ Pay to the primary affiliated teaching hospital for the East Carolina
34 University Brody School of Medicine, to the critical access hospitals, and to
35 each hospital that has paid its UPL assessment for the respective quarter
36 twenty-five percent (25%) of its UPL payment amount, as determined under
37 subsection (c) of this section.

38 ~~(3)(4)~~ Pay to the primary affiliated teaching hospital for the East Carolina
39 University Brody School of Medicine, to the critical access hospitals, and to
40 each hospital that has paid its UPL assessment for the respective quarter
41 twenty-five percent (25%) of its UPL payment amount, as determined under
42 subsection (c) of this section."

43 **SECTION 10.18.(c)** G.S. 108A-128 reads as rewritten:

44 **"§ 108A-128. Payment for providers formerly subject to this Article.**

45 If a hospital provider (i) is exempt from both the equity and UPL assessments under this
46 Article, (ii) makes an intergovernmental transfer (IGT) to the Department of Health and Human
47 Services to be used to draw down matching federal funds, and (iii) has acquired, merged,
48 leased, or managed another provider on or after March 25, 2011, then the hospital provider

1 shall transfer to the State an additional amount, which shall be retained by the State. The
2 additional amount shall be ~~twenty five and nine tenths percent (25.9%)~~ twenty-eight and
3 eighty-five hundredths percent (28.85%) of the amount of funds that (i) would be transferred to
4 the State through such an IGT and (ii) are to be used to match additional federal funds that the
5 hospital provider is able to receive because of the acquired, merged, leased, or managed
6 provider."
7

8 **STREAMLINE MEDICAID APPEALS**

9 **SECTION 10.19.(a)** The Department of Health and Human Services shall establish
10 and administer a fair hearing procedure for the resolution of contested Medicaid cases, as
11 defined by G.S. 108A-70.9A(a)(2) and G.S. 108D-1(10). The procedure shall comply with
12 applicable federal law and State law, as modified by this section, and shall ensure Medicaid
13 beneficiaries are afforded all rights to which they are entitled under the Constitution of the
14 United States and the North Carolina Constitution. The procedure should allow for the speedy
15 determination of these appeals, allowing Medicaid recipients to resolve their contested
16 Medicaid cases more quickly than the present resolution forum will allow. The procedure shall
17 make the Department the final agency decision maker for Medicaid recipient appeals. The
18 Department shall memorialize the procedure in an amendment to the State Medical Assistance
19 Plan and seek approval from the Centers for Medicare and Medicaid Services to implement the
20 new procedure for adverse determinations and managed care actions made on or after July 1,
21 2015. The Department may move or reclassify any position in the Department for the purpose
22 of implementing this section.

23 **SECTION 10.19.(b)** G.S. 108A-70.9A reads as rewritten:

24 **"§ 108A-70.9A. Appeals by Medicaid recipients.**

25 (a) Definitions. – The following definitions apply in this Part, unless the context clearly
26 requires otherwise.

27 (1) Adverse determination. – A determination by the Department to deny,
28 terminate, suspend, or reduce a Medicaid service or an authorization for a
29 Medicaid service.

30 ~~(2) OAH. – The Office of Administrative Hearings.~~

31 (2) Contested Medicaid case. – A case initiated upon the filing of an appeal
32 challenging an adverse determination as described in this section and
33 G.S. 108A-70.9B.

34 (3) Recipient. – A recipient and the recipient's parent, guardian, or legal
35 representative, unless otherwise specified.

36 (b) General Rule. – Notwithstanding any provision of State law or rules to the contrary,
37 this section shall govern the process used by a Medicaid recipient to appeal an adverse
38 determination made by the Department.

39 (c) Notice. – Except as otherwise provided by federal law or regulation, at least 10 days
40 before the effective date of an adverse determination, the Department shall notify the recipient,
41 and the provider, if applicable, in writing of the adverse determination and of the recipient's
42 right to appeal the adverse determination. The Department shall not be required to notify a
43 recipient's parent, guardian, or legal representative unless the recipient's parent, guardian, or
44 legal representative has requested in writing to receive the notice. The notice shall be mailed on
45 the date indicated on the notice as the date of the determination. The notice shall include:

46 (1) An identification of the recipient whose services are being affected by the
47 adverse determination, including the recipient's full name and Medicaid
48 identification number.

- 1 (2) An explanation of what service is being denied, terminated, suspended, or
2 reduced and the reason for the determination.
- 3 (3) The specific regulation, statute, or medical policy that supports or requires
4 the adverse determination.
- 5 (4) The effective date of the adverse determination.
- 6 (5) An explanation of the recipient's right to appeal the Department's adverse
7 determination in an evidentiary hearing before ~~an administrative law~~
8 judge, the Department.
- 9 (6) An explanation of how the recipient can request a hearing and a statement
10 that the recipient may represent himself or herself or use legal counsel, a
11 relative, or other spokesperson.
- 12 (7) A statement that the recipient ~~will~~ may continue to receive Medicaid
13 services at the level provided on the day immediately preceding the
14 Department's adverse determination or the amount requested by the
15 recipient, whichever is less, if the recipient requests a hearing before the
16 effective date of the adverse determination. ~~The~~ If the recipient so requests,
17 the services shall continue until the hearing is completed and a final decision
18 is rendered.
- 19 (8) The name and telephone number of a contact person at the Department to
20 respond in a timely fashion to the recipient's questions.
- 21 (9) The telephone number by which the recipient may contact a Legal Aid/Legal
22 Services office.
- 23 (10) The appeal request form described in subsection (e) of this section that the
24 recipient may use to request a hearing.

25 (d) Appeals. – ~~Except as provided by this section and G.S. 108A-70.9B, a request for a~~
26 ~~hearing to appeal an adverse determination of the Department under this section is a contested~~
27 ~~case subject to the provisions of Article 3 of Chapter 150B of the General Statutes. The~~
28 ~~recipient shall~~ may request a hearing only within 30 days of the the time period beginning upon
29 the mailing of the notice required by subsection (c) of this section by sending and ending the
30 tenth day after the date of the adverse determination, which shall be known as the period for
31 appeal. The recipient must request a hearing by filing an appeal request form to OAH and with
32 the Department. If the recipient does not request a hearing during the period for appeal, the
33 recipient shall be deemed to waive any right of appeal, and the Department shall deny any
34 hearing request filed outside the period of appeal. Where a request for hearing concerns the
35 reduction, modification, or termination of Medicaid services, including the failure to act upon a
36 timely request for reauthorization with reasonable promptness, upon the ~~receipt of a timely~~
37 ~~appeal,~~ filing of an appeal request during the period for appeal, the Department shall reinstate
38 the services to the level or manner prior to action by the Department ~~as permitted when~~
39 required by federal law or regulation. ~~The Department shall immediately forward a copy of the~~
40 ~~notice to OAH electronically.~~ The information contained in the notice is confidential unless the
41 recipient appeals. ~~OAH~~ The Department may dispose of the records after one year. The
42 Department may not influence, limit, or interfere with the recipient's decision to request a
43 hearing.

44 ...

45 (f) Final Decision. – After a hearing before ~~an administrative law judge, the judge shall~~
46 ~~return the decision to the Department in accordance with G.S. 150B-37. The~~ the Department in
47 accordance with this section and G.S. 108A-70.9B, the Department shall notify the recipient of

1 the final decision and of the right to judicial review of the decision pursuant to Article 4 of
2 Chapter 150B of the General Statutes."

3 **SECTION 10.19.(c)** G.S. 108A-70.9B reads as rewritten:

4 "**§ 108A-70.9B. Contested Medicaid cases.**

5 (a) Application. – This section applies only to contested Medicaid cases commenced by
6 Medicaid recipients under G.S. 108A-70.9A. ~~Except as otherwise provided by G.S. 108A-70.9A~~
7 ~~and this section governing time lines and procedural steps, a contested Medicaid case~~
8 ~~commenced by a Medicaid recipient is subject to the provisions of Article 3 of Chapter 150B of~~
9 ~~the General Statutes. To the extent any provision in this section or G.S. 108A-70.9A conflicts~~
10 ~~with another provision in Article 3 of Chapter 150B of the General Statutes, this section and~~
11 ~~G.S. 108A-70.9A control.~~

12 (b) Simple Procedures. – ~~Notwithstanding any other provision of Article 3 of Chapter~~
13 ~~150B of the General Statutes, the chief administrative law judge may limit and simplify~~
14 ~~as otherwise provided in G.S. 108A-70.9A, the Department shall establish in the State Plan the~~
15 ~~procedures that apply to a contested Medicaid case involving a Medicaid recipient in order to~~
16 ~~complete the case as quickly as possible.~~ possible while also complying with federal law.

17 (1) To the extent possible, ~~OAH~~ the Department shall schedule and hear
18 contested Medicaid cases within 55-30 days of submission of a request for
19 appeal.

20 (2) Hearings shall be conducted telephonically or by video technology with all
21 parties, however the recipient may request that the hearing be conducted in
22 person before the ~~administrative law judge.~~ Department, which for good
23 cause shown may be allowed by the Department. An in-person hearing shall
24 be conducted in Wake County, however, for good cause shown, the
25 in-person hearing may be conducted in the county of residence of the
26 recipient or a nearby county. ~~Good cause shall cause, which shall be~~
27 determined by the Department, may include, but is not limited to, the
28 recipient's impairments limiting travel or the unavailability of the recipient's
29 treating professional witnesses. The Department shall provide written notice
30 to the recipient of the use of telephonic hearings, hearings by video
31 conference, and in-person hearings before the ~~administrative law~~
32 ~~judge,~~ Department, and how to request a hearing in the recipient's county of
33 residence.

34 (3) The simplified procedure may include requiring that all prehearing motions
35 be considered and ruled on by the ~~administrative law judge~~ Department in the
36 course of the hearing of the case on the merits. ~~An administrative law judge~~
37 ~~assigned to a contested Medicaid case~~ The Department shall make
38 reasonable efforts in a case involving a Medicaid recipient who is not
39 represented by an attorney to assure a fair hearing and to maintain a
40 complete record of the hearing.

41 (4) The ~~administrative law judge~~ Department may allow brief extensions of the
42 time limits contained in this section for good cause and to ensure that the
43 record is complete. ~~Good cause includes may include, but is not limited to,~~
44 delays resulting from untimely receipt of documentation needed to render a
45 decision and other unavoidable and unforeseen circumstances. Continuances
46 shall only be granted in accordance with ~~rules adopted by OAH~~ the
47 procedure adopted by the Department and shall not be granted on the day of
48 the hearing, except for good cause shown. If a petitioner fails to make an

1 appearance at a hearing that has been properly noticed via certified mail by
2 ~~OAH, OAH~~the Department, the Department shall immediately dismiss the
3 contested case, unless the recipient moves to show good cause within three
4 business days of the date of dismissal.

5 (5) The notice of hearing provided by ~~OAH~~the Department to the recipient shall
6 include the following information:

- 7 a. The recipient's right to examine at a reasonable time before the
8 hearing and during the hearing the contents of the recipient's case file
9 and documents to be used by the Department in the ~~hearing before~~
10 ~~the administrative law judge hearing.~~
11 b. The recipient's right to an interpreter during the appeals process.
12 c. Circumstances in which a medical assessment may be obtained at
13 ~~agency~~the Department's expense and be made part of the record.
14 Qualifying circumstances include those in which (i) a hearing
15 involves medical issues, such as a diagnosis, an examining
16 physician's report, or a medical review team's decision; and (ii) the
17 ~~administrative law judge~~Department considers it necessary to have a
18 medical assessment other than that performed by the individual
19 involved in making the original decision.

20 (c) Mediation. – Upon receipt of an appeal request form as provided by
21 ~~G.S. 108A-70.9A(e) or other clear request for a hearing by a Medicaid recipient, OAH shall~~
22 ~~immediately notify the Mediation Network of North Carolina, which shall contact the recipient~~
23 ~~within five days to offer mediation in an attempt to resolve the dispute. If mediation is~~
24 ~~accepted, the mediation must be completed within 25 days of submission of the request for~~
25 ~~appeal. Upon completion of the mediation, the mediator shall inform OAH and the Department~~
26 ~~within 24 hours of the resolution by facsimile or electronic messaging. G.S. 108A-70.9A(e), the~~
27 ~~Department shall offer mediation through a mediation process established by the Department.~~
28 ~~If the parties have resolved matters in the mediation, OAH~~the Department shall dismiss the
29 case. ~~OAH~~The Department shall not conduct a hearing of any contested Medicaid case until it
30 has received notice ~~from the mediator assigned~~ that either: (i) the mediation was unsuccessful,
31 or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to
32 appear at a scheduled mediation. ~~Nothing in this subsection shall restrict the right to a contested~~
33 ~~ease hearing.~~If the recipient accepts an offer of mediation and then fails to meaningfully
34 participate without good cause, the Department shall dismiss the case.

35 (d) Burden of Proof. – The recipient has the burden of proof to show entitlement to a
36 requested benefit ~~or the propriety of requested agency action when the agency has denied the~~
37 ~~benefit or refused to take the particular action. The agency has the burden of proof when the~~
38 ~~appeal is from an~~ or the impropriety of the agency determination to impose a penalty or to
39 reduce, terminate, or suspend a previously granted benefit. The party with the burden of proof
40 on any issue ~~determination, and the recipient has the burden of going forward, and the~~
41 ~~administrative law judge~~forward. The Department shall not make any ruling on the
42 preponderance of evidence until the close of all evidence.

43 (e) New Evidence. – The recipient shall be permitted to submit evidence regardless of
44 whether obtained prior to or subsequent to the ~~Department's actions~~adverse determination and
45 regardless of whether the Department had an opportunity to consider the evidence in making its
46 adverse determination. When the evidence is received, ~~at the request of the Department, the~~
47 ~~administrative law judge shall continue the hearing for a minimum of 15 days and a maximum~~
48 ~~of 30 days to allow for the Department's~~ the Department may continue the hearing to review of

1 the evidence. Subsequent to review of the evidence, if the Department reverses its original
 2 decision, it shall immediately inform the ~~administrative law judge~~ recipient.

3 (f) Issue for Hearing. – For each adverse determination, the hearing shall determine
 4 whether the Department substantially prejudiced the rights of the recipient and if the
 5 Department, based upon evidence at the hearing:

- 6 (1) Exceeded its authority or jurisdiction.
- 7 (2) Acted erroneously.
- 8 (3) Failed to use proper procedure.
- 9 (4) Acted arbitrarily or capriciously.
- 10 (5) Failed to act as required by law or rule.

11 (g) Decision. – The ~~administrative law judge assigned to a contested Medicaid~~
 12 ~~case~~ Department shall hear and decide the case without unnecessary delay. ~~The judge shall~~
 13 ~~prepare a written decision and send it to the parties in accordance with G.S. 150B-37. The~~
 14 ~~Department's decision after hearing shall be considered a final decision in a contested case for~~
 15 ~~the purpose of pursuing judicial review under Article 4 of Chapter 150B of the General~~
 16 ~~Statutes."~~

17 **SECTION 10.19.(d)** G.S. 108D-1(3) reads as rewritten:

18 **"§ 108D-1. Definitions.**

19 The following definitions apply in this Chapter, unless the context clearly requires
 20 otherwise:

- 21 ...
- 22 (3) Contested Medicaid managed care case hearing. – The hearing or hearings
 23 conducted at the ~~Office of Administrative Hearings~~ Department of Health
 24 and Human Services under G.S. 108D-15 to resolve a dispute between an
 25 enrollee and a local management entity/managed care organization about a
 26 managed care action.

27"

28 **SECTION 10.19.(e)** G.S. 108D-11 reads as rewritten:

29 **"§ 108D-11. LME/MCO grievance and appeal procedures, generally.**

30 ...
 31 (c) An LME/MCO shall not attempt to influence, limit, or interfere with an enrollee's
 32 right or decision to file a grievance, request for an LME/MCO level appeal, or a contested case
 33 Medicaid managed care hearing. However, nothing in this Chapter shall be construed to
 34 prevent an LME/MCO from doing any of the following:

- 35 (1) Offering an enrollee alternative services.
- 36 (2) Engaging in clinical or educational discussions with enrollees or providers.
- 37 (3) Engaging in informal attempts to resolve enrollee concerns prior to the
 38 issuance of a notice of grievance disposition or notice of resolution.

39 (d) An LME/MCO shall not take punitive action against a provider for any of the
 40 following:

- 41 (1) Filing a grievance on behalf of an enrollee or supporting an enrollee's
 42 grievance.
- 43 (2) Requesting an LME/MCO level appeal on behalf of an enrollee or
 44 supporting an enrollee's request for an LME/MCO level appeal.
- 45 (3) Requesting an expedited LME/MCO level appeal on behalf of an enrollee or
 46 supporting an enrollee's request for an LME/MCO level expedited appeal.

1 (4) Requesting a contested Medicaid managed care case hearing on behalf of an
2 enrollee or supporting an enrollee's request for a contested Medicaid
3 managed care case hearing."

4 **SECTION 10.19.(f)** G.S. 108D-12 reads as rewritten:

5 **"§ 108D-12. LME/MCO grievances.**

6 (a) Filing of Grievance. – An enrollee, or a network provider authorized in writing to
7 act on behalf of an enrollee, has the right to file a grievance with an LME/MCO at any time to
8 express dissatisfaction about any matter other than a managed care action. Upon receipt of a
9 grievance, an LME/MCO shall cause a written acknowledgment of receipt of the grievance to
10 be sent by United States mail.

11 (b) Notice of Grievance Disposition. – The LME/MCO shall resolve the grievance and
12 cause a notice of grievance disposition to be sent by United States mail to the enrollee and all
13 other affected parties as expeditiously as the enrollee's health condition requires, but no later
14 than 90 days after receipt of the grievance.

15 (c) Right to LME/MCO Level Appeal. – There is no right to appeal the resolution of a
16 grievance to ~~OAH or any other forum.~~ any forum."

17 **SECTION 10.19.(g)** G.S. 108D-13 reads as rewritten:

18 **"§ 108D-13. Standard LME/MCO level appeals.**

19 ...
20 (e) Right to Request Contested Medicaid Managed Care Case Hearing. – An enrollee,
21 or a network provider authorized in writing to act on behalf of an enrollee, may file a request
22 for a contested Medicaid managed care case hearing under G.S. 108D-15 as long as the
23 enrollee or network provider has exhausted the appeal procedures described in this section or
24 G.S. 108D-14.

25 (f) Request Form for Contested Medicaid Managed Care Case Hearing. – In the same
26 mailing as the notice of resolution, the LME/MCO shall also provide the enrollee with an
27 appeal request form for a contested Medicaid managed care case hearing that meets the
28 requirements of G.S. 108D-15(f)."

29 **SECTION 10.19.(h)** G.S. 108D-14 reads as rewritten:

30 **"§ 108D-14. Expedited LME/MCO level appeals.**

31 ...
32 (e) Right to Request Contested Medicaid Managed Care Case Hearing. – An enrollee,
33 or a network provider authorized in writing to act on behalf of an enrollee, may file a request
34 for a contested Medicaid managed care case hearing under G.S. 108D-15 as long as the
35 enrollee or network provider has exhausted the appeal procedures described in G.S. 108D-13 or
36 this section.

37 ...
38 (g) Request Form for Contested Medicaid Managed Care Case Hearing. – In the same
39 mailing as the notice of resolution, the LME/MCO shall also provide the enrollee with an
40 appeal request form for a contested Medicaid managed care case hearing that meets the
41 requirements of G.S. 108D-15(f)."

42 **SECTION 10.19.(i)** G.S. 108D-15 reads as rewritten:

43 **"§ 108D-15. Contested case hearings on disputed managed care actions.**

44 (a) ~~Jurisdiction of the Office of Administrative Hearings.~~ Jurisdiction. – The
45 Department of Health and Human Services has exclusive jurisdiction over a dispute concerning
46 a managed care action after an enrollee has exhausted the appeal procedures described in
47 G.S. 108D-13 and G.S. 108D-14. The Office of Administrative Hearings does not have

1 jurisdiction over a dispute concerning a managed care action, ~~except as expressly set forth in~~
2 ~~this Chapter action.~~

3 (b) Exclusive Administrative Remedy. – Notwithstanding any provision of State law or
4 rules to the contrary, this section is the exclusive method for an enrollee to contest a notice of
5 resolution issued by an LME/MCO. G.S. 108A-70.9A, 108A-70.9B, and 108A-70.9C do not
6 apply to enrollees contesting a managed care action.

7 (c) Request for Contested Medicaid Managed Care Case Hearing. – A request for an
8 administrative hearing to appeal a notice of resolution issued by an LME/MCO is a contested
9 Medicaid managed care case subject to the provisions of ~~Article 3 of Chapter 150B of the~~
10 ~~General Statutes.~~ this section. An enrollee, or a network provider authorized in writing to act on
11 behalf of an enrollee, has the right to file a request for appeal to contest a notice of resolution as
12 long as the enrollee or network provider has exhausted the appeal procedures described in
13 G.S. 108D-13 or G.S. 108D-14.

14 (d) Filing Procedure. – An enrollee, or a network provider authorized in writing to act
15 on behalf of an enrollee, may file a request for an appeal by sending an appeal request form that
16 meets the requirements of subsection (e) of this section to ~~OAH the Department~~ and the
17 affected LME/MCO by no later than 30 days after the mailing date of the notice of resolution.
18 A request for appeal is deemed filed when a completed and signed appeal request form has
19 been both submitted into the care and custody of ~~the chief hearings clerk of OAH the~~
20 Department and accepted by ~~the chief hearings clerk.~~ Department. Upon receipt of a timely filed
21 appeal request form, information contained in the notice of resolution is no longer confidential,
22 and the LME/MCO shall immediately forward a copy of the notice of resolution to ~~OAH the~~
23 Department electronically. ~~OAH The Department~~ may dispose of these records after one year.

24 (e) Parties. – The LME/MCO shall be the respondent for purposes of this appeal. ~~The~~
25 ~~LME/MCO or enrollee may move for the permissive joinder of the Department under Rule 20~~
26 ~~of the North Carolina Rules of Civil Procedure. The Department may move to intervene as a~~
27 ~~necessary party under Rules 19 and 24 of the North Carolina Rules of Civil Procedure.~~

28 (f) Appeal Request Form. – In the same mailing as the notice of resolution, the
29 LME/MCO shall also provide the enrollee with an appeal request form for a contested
30 Medicaid managed care case hearing which shall be no more than one side of one page. The
31 form shall include at least all of the following:

- 32 (1) A statement that in order to request an appeal, the enrollee must file the form
33 in accordance with ~~OAH the Department's~~ rules, by mail or fax to the
34 address or fax number listed on the form, by no later than 30 days after the
35 mailing date of the notice of resolution.
- 36 (2) The enrollee's name, address, telephone number, and Medicaid identification
37 number.
- 38 (3) A preprinted statement that indicates that the enrollee would like to appeal a
39 specific managed care action identified in the notice of resolution.
- 40 (4) A statement informing the enrollee of the right to be represented at the
41 contested Medicaid managed care case hearing by a lawyer, a relative, a
42 friend, or other spokesperson.
- 43 (5) A space for the enrollee's signature and date.

44 (g) Continuation of Benefits. – An LME/MCO shall continue the enrollee's benefits
45 during the pendency of an appeal to the same extent required under 42 C.F.R. § 438.420.
46 Notwithstanding any other provision of State law, the ~~administrative law judge~~ Department does
47 not have the power to order and shall not order an LME/MCO to continue benefits in excess of
48 what is required by 42 C.F.R. § 438.420.

1 (h) Simple Procedures. – ~~Notwithstanding any other provision of Article 3 of Chapter~~
2 ~~150B of the General Statutes, the chief administrative law judge of OAH~~Except as expressly
3 provided in this section, the Department may limit and simplify the ~~administrative hearing~~
4 procedures that apply to contested Medicaid managed care case hearings conducted under this
5 section in order to complete these cases as expeditiously as possible. Any simplified hearing
6 procedures approved by the chief administrative law judge under this subsection must comply
7 with all of the following requirements:

- 8 (1) ~~OAH~~The Department shall schedule and hear cases by no later than 55 days
9 after receipt of a request for a contested Medicaid managed care case
10 hearing.
- 11 (2) ~~OAH~~The Department shall conduct all contested Medicaid managed care
12 case hearings telephonically or by video technology with all parties, unless
13 the enrollee requests that the hearing be conducted in person before the
14 administrative law judgeDepartment. An in-person hearing shall be
15 conducted in the county that contains the headquarters of the LME/MCO
16 Wake County unless the enrollee's impairments limit travel. For enrollees
17 with impairments that limit travel, an in-person hearing shall be conducted in
18 the enrollee's county of residence. OAHThe Department shall provide
19 written notice to the enrollee of the use of telephonic hearings, hearings by
20 video conference, and in-person hearings ~~before the administrative law~~
21 ~~judge,~~as well as written instructions on how to request a hearing in the
22 enrollee's county of residence.
- 23 (3) The ~~administrative law judge assigned to hear the case~~Department shall
24 consider and rule on all prehearing motions prior to the scheduled date for a
25 hearing on the merits.
- 26 (4) The ~~administrative law judge~~Department may allow brief extensions of the
27 time limits imposed in this section only for good cause shown and to ensure
28 that the record is complete. The ~~administrative law judge~~Department shall
29 only grant a continuance of a hearing in accordance with ~~rules~~procedures
30 adopted by OAHthe Department for good cause shown and shall not grant a
31 continuance on the day of a hearing, except for good cause shown. If an
32 enrollee fails to make an appearance at a hearing that has been properly
33 ~~noticed by OAH by United States mail, OAH~~noticed, the Department shall
34 immediately dismiss the case, unless the enrollee moves to show good cause
35 by no later than three business days after the date of dismissal. As used in
36 this section, "good cause shown" includes delays resulting from untimely
37 receipt of documentation needed to render a decision and other unavoidable
38 and unforeseen circumstances.
- 39 (5) ~~OAH~~The Department shall include information on at least all of the
40 following in its notice of hearing to an enrollee:
- 41 a. The enrollee's right to examine at a reasonable time before and
42 during the hearing the contents of the enrollee's case file and any
43 documents to be used by the LME/MCO in the ~~hearing before the~~
44 ~~administrative law judge~~hearing.
- 45 b. The enrollee's right to an interpreter during the hearing process.
- 46 c. The circumstances in which a medical assessment may be obtained at
47 the LME/MCO's expense and made part of the record, including all
48 of the following:

- 1 1. A hearing involving medical issues, such as a diagnosis, an
2 examining physician's report, or a decision by a medical
3 review team.
- 4 2. A hearing in which the ~~administrative law judge~~ Department
5 considers it necessary to have a medical assessment other
6 than the medical assessment performed by an individual
7 involved in any previous level of review or decision making.

8 (i) Mediation. – Upon receipt of an appeal request form as provided by
9 ~~G.S. 108D-15(f) or other clear request for a hearing by an enrollee, OAH shall immediately~~
10 ~~notify the Mediation Network of North Carolina, which shall contact the enrollee within five~~
11 ~~days to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the~~
12 ~~mediation must be completed within 25 days of submission of the request for appeal. Upon~~
13 ~~completion of the mediation, the mediator shall inform OAH and the LME/MCO within 24~~
14 ~~hours of the resolution by facsimile or electronic messaging. G.S. 108D-15(f), the Department~~
15 ~~shall offer mediation through a mediation process established by the Department. If the parties~~
16 ~~have resolved matters in the mediation, OAH the Department shall dismiss the case. OAH The~~
17 ~~Department shall not conduct a hearing of any contested Medicaid managed care case~~
18 ~~involving a dispute of a managed care action until it has received notice from the mediator~~
19 ~~assigned that either (i) the mediation was unsuccessful, (ii) the petitioner has rejected the offer~~
20 ~~of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. Nothing in~~
21 ~~this subsection shall restrict the right to a contested case hearing. If the recipient accepts an offer~~
22 ~~of mediation and then fails to meaningfully participate without good cause, the Department~~
23 ~~shall dismiss the case.~~

24 (j) Burden of Proof. – The enrollee has the burden of proof on all issues submitted to
25 ~~OAH the Department~~ for a contested Medicaid managed care case hearing under this section
26 and has the burden of going forward. The ~~administrative law judge~~ Department shall not make
27 any ruling on the preponderance of evidence until the close of all evidence in the case.

28 (k) New Evidence. – The enrollee shall be permitted to submit evidence regardless of
29 whether it was obtained before or after the LME/MCO's managed care action and regardless of
30 whether the LME/MCO had an opportunity to consider the evidence in resolving the
31 LME/MCO level appeal. Upon the receipt of new evidence and at the request of the
32 LME/MCO, the ~~administrative law judge~~ Department shall continue the hearing for a minimum
33 of 15 days and a maximum of 30 days in order to allow the LME/MCO to review the evidence.
34 Upon reviewing the evidence, if the LME/MCO decides to reverse the managed care action
35 taken against the enrollee, it shall immediately inform the ~~administrative law judge~~ Department
36 of its decision.

37 (l) Issue for Hearing. – For each managed care action, the ~~administrative law~~
38 ~~judge~~ Department shall determine whether the LME/MCO substantially prejudiced the rights of
39 the enrollee and whether the LME/MCO, based upon evidence at the hearing:

- 40 (1) Exceeded its authority or jurisdiction.
- 41 (2) Acted erroneously.
- 42 (3) Failed to use proper procedure.
- 43 (4) Acted arbitrarily or capriciously.
- 44 (5) Failed to act as required by law or rule.

45 (m) To the extent that anything in this Part, ~~Chapter 150B of the General Statutes~~, or any
46 rules or policies adopted under ~~these Chapters~~ this Chapter is inconsistent with the Social
47 Security Act or 42 C.F.R. Part 438, Subpart F, federal law prevails and applies to the extent of
48 the conflict. All rules, rights, and procedures for contested Medicaid managed care case

1 hearings concerning managed care actions shall be construed so as to be consistent with federal
2 law and shall provide the enrollee with no lesser and no greater rights than those provided
3 under federal law."

4 **SECTION 10.19.(j)** G.S. 108D-16 reads as rewritten:

5 "**§ 108D-16. Notice of final decision and right to seek judicial review.**

6 The ~~administrative law judge assigned to conduct a contested case hearing under~~
7 ~~G.S. 108D-15 Department~~ shall hear and decide the case without unnecessary delay. The ~~judge~~
8 ~~Department~~ shall prepare a written decision that includes findings of fact and conclusions of
9 law and send it to the parties in accordance with G.S. 150B-37. The written decision shall
10 notify the parties of the final decision and of the right of the enrollee and the LME/MCO to
11 seek judicial review of the decision under Article 4 of Chapter 150B of the General Statutes."

12 **SECTION 10.19.(k)** G.S. 150B-1(e) is amended by adding a new subdivision to
13 read:

14 "(e) Exemptions From Contested Case Provisions. – The contested case provisions of
15 this Chapter apply to all agencies and all proceedings not expressly exempted from the Chapter.
16 The contested case provisions of this Chapter do not apply to the following:

17 ...

18 (22) The Department of Health and Human Services for appeals by Medicaid
19 recipients as provided in Chapter 108A and Chapter 108D of the General
20 Statutes."

21 **SECTION 10.19.(l)** G.S. 122C-151.4 and G.S. 143B-147(a)(9) are repealed.

22 **SECTION 10.19.(m)** Subsections (a) and (l) of this section are effective when they
23 become law. The remaining subsections of this section become effective July 1, 2015, and
24 apply to adverse determinations and managed care actions made on or after July 1, 2015.

25 **PROVIDING ADDITIONAL SERVICES TO THE DEVELOPMENTALLY DISABLED**

26 **SECTION 10.20.(a)** The Department of Health and Human Services shall develop,
27 in collaboration with LME/MCOs, providers, consumers, and families, a detailed plan for
28 adding an additional 1,000 slots to the CAP DD Medicaid Waiver. The plan shall do all of the
29 following:
30

- 31 (1) Limit per slot expenditures to no more than twenty thousand dollars
32 (\$20,000) per year.
- 33 (2) Limit access to the slots to Medicaid-eligible adults.
- 34 (3) Explain the method for allocating the slots statewide.
- 35 (4) Contain a detailed fiscal analysis, describing any additional costs and
36 identifying any potential sources of funding.
- 37 (5) Any other information the Department deems appropriate.

38 **SECTION 10.20.(b)** The Department shall submit the plan required by subsection
39 (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services
40 and the Fiscal Research Division by no later than December 1, 2014.

41 **NORTH CAROLINA GOVERNOR'S SUBSTANCE ABUSE PREVENTION** 42 **INITIATIVE**

43 **SECTION 10.21.** The Department of Health and Human Services shall allocate
44 funds from the Substance Abuse Prevention & Treatment Block Grant (SAPTBG) to six
45 campuses in the UNC system to pilot the North Carolina Governor's Substance Abuse
46 Prevention and Treatment Initiative to expand evidence-based, on-campus substance abuse
47 treatment and recovery services and efforts to reduce risky behaviors related to drugs and
48

1 alcohol. Funds in the amount of one hundred twenty-five thousand dollars (\$125,000) each
 2 shall be allocated to North Carolina A&T State University, University of North Carolina at
 3 Charlotte, University of North Carolina at Chapel Hill, University of North Carolina at
 4 Greensboro, University of North Carolina at Wilmington, and East Carolina University. Each
 5 campus shall partner with community organizations, local and state law enforcement agencies,
 6 and local ABC Boards and the State ABC Commission. No later than August 1, 2015, the pilot
 7 campuses will report to the North Carolina Governor's Substance Abuse and Underage
 8 Drinking Prevention and Treatment Task Force on the use of SAPTBG funds and effectiveness
 9 of prevention efforts. The North Carolina Governor's Substance Abuse and Underage Drinking
 10 Prevention and Treatment Task Force will make recommendations for continuance of the
 11 Initiative to the Governor and the General Assembly by October 1, 2015.

12
 13 **DIRECT NET PROCEEDS OF DIX LAND SALE TO MENTAL HEALTH TRUST**
 14 **FUND; AMEND MENTAL HEALTH TRUST FUND STATUTE**

15 **SECTION 10.22.** G.S. 143C-9-2 reads as rewritten:

16 "**§ 143C-9-2. Trust Fund for Mental Health, Developmental Disabilities, and Substance**
 17 **Abuse Services and Bridge Funding Needs.**Services.

18 (a) The Trust Fund for Mental Health, Developmental Disabilities, and Substance
 19 Abuse Services ~~and Bridge Funding Needs~~ is established as an interest-bearing, nonreverting
 20 special trust fund in the Office of State Budget and Management. Moneys in the Trust Fund
 21 shall be held in trust and used solely to increase community-based services ~~that meet the mental~~
 22 ~~health, developmental disabilities, and substance abuse services needs of the State. for~~
 23 individuals with mental illness, developmental disabilities, substance use disorders, and
 24 traumatic brain injury, and to enhance the ability of the State to provide a continuum of high
 25 quality services for such individuals. The Trust Fund shall be used to supplement and not to
 26 supplant or replace existing ~~State~~ federal, State, and local funding available to meet the mental
 27 health, developmental disabilities, and substance abuse services needs of the State.

28 ...

29 (b) The Department of Health and Human Services shall establish a process that ensures
 30 Trust Fund is allocated to provide the most benefit in the most efficient manner. Moneys in the
 31 Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services ~~and~~
 32 ~~Bridge Funding Needs~~ shall be allocated to area programs to be used only ~~to~~ for the following:

- 33 (1) Provide start-up funds and operating support for programs and services that
 34 provide more appropriate and cost-effective community treatment
 35 alternatives for individuals ~~currently residing in the State's mental health,~~
 36 ~~developmental disabilities, and substance abuse services institutions.~~
 37 transitioning from institutional settings to community settings.
 38 (2) Repealed by Session Laws 2007-323, s. 10.49(w1), effective July 1, 2007.
 39 (3) ~~Facilitate reform of the mental health, developmental disabilities, and~~
 40 ~~substance abuse services system and expand and enhance treatment and~~
 41 ~~prevention services in these program areas to remove waiting lists and~~
 42 ~~provide appropriate and safe services for clients.~~ Community crisis services,
 43 including responses to emergent behavioral health or developmental
 44 disability conditions.
 45 (4) ~~Provide bridge funding to maintain appropriate client services during~~
 46 ~~transitional periods as a result of facility closings, including departmental~~
 47 ~~restructuring of services.~~ Integrated care models.
 48 (5) Repealed by Session Laws 2007-323, s. 10.49(w1), effective July 1, 2007.

- (6) Use of technology in provision of consumer services and supports.
- (7) Supported employment services.
- (8) Repairs, renovations, and capital expenditures.

...
 (c1) Notwithstanding G.S. 146-30(a)(1), the net proceeds of the lease or sale of part or all of the State-owned property encompassing Dorothea Dix Hospital campus shall be placed in the Mental Health Trust Fund and shall be used for the purposes authorized in this section.

(d) Beginning July 1, 2007, the Secretary of the Department of Health and Human Services shall report annually to the Fiscal Research Division on the expenditures made during the preceding fiscal year from the Trust Fund. ~~The report shall identify each expenditure by recipient and purpose and shall indicate the authority under subsection (b) of this section for the expenditure.~~"

CLARIFY SPECIAL CARE UNIT MORATORIUM

SECTION 10.23. 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, 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.
 - a. As used in this section, "area" is the service area defined by the State Medical Facilities Plan defined in G.S. 131E-176(25).
 - b. For purposes of this section, increased access to special care units in skilled nursing facilities is necessary when the average occupancy of all special care unit beds in skilled nursing facilities in that area is equal to or greater than ninety percent (90%). Increased access to special care units in adult care homes is necessary when the average occupancy of all special care unit beds in adult care homes in that area is equal to or greater than eighty-five percent (85%). In addition to any other information requested by the Department that may be necessary for its determination, a facility requesting licensure shall provide documentation that demonstrates that the current average occupancy in the area meets or exceeds these percentages. These percentages shall not apply to an area without any existing special care units. In addition to any other information requested by the Department that may be necessary for its determination, a facility requesting a license to operate in an area without any existing special care units shall demonstrate the need that the population in the area has for this type of care.
 - c. No facility may request that the Department issue a license for a special care unit during this moratorium until the facility has met all other applicable licensure requirements for the type of facility making such a request.

- (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 operates as a continuing care retirement community licensed under Article 64 of Chapter 58 of the General Statutes."

DHHS BLOCK GRANTS

SECTION 10.24. Except as otherwise provided, appropriations from federal block grant funds are made for the fiscal period ending June 30, 2015, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

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
<u>07.</u>	<u>Foster Care Services</u>		<u>1,385,152</u>

Division of Child Development

07-08.	Subsidized Child Care Program (\$13,800,000 for Child Protective Service/Child Welfare Service Children)	57,172,097	55,409,695 <u>54,054,806</u>
08-09.	Swap Child Care Subsidy	6,352,644	6,352,644
<u>10.</u>	<u>Pre-Kindergarten Program</u>		<u>7,195,807</u>

Division of Public Health

1	09.11. Teen Pregnancy Initiatives	2,500,000	2,500,000
2			
3	DHHS Administration		
4			
5	10.12. Division of Social Services	2,482,260	2,482,260
6			
7	11.13. Office of the Secretary	34,042	34,042
8			
9	Transfers to Other Block Grants		
10			
11	Division of Child Development		
12			
13	12.14. Transfer to the Child Care and		
14	Development Fund	71,773,001	71,773,001
15			
16	13.15. Transfer to Social Services Block		
17	Grant for Child Protective Services –		
18	Child Welfare Training in Counties	1,300,000	1,300,000
19			
20	14.16. Transfer to Social Services Block		
21	Grant for Child Protective Services	5,040,000	5,040,000
22			
23	15.17. Transfer to Social Services Block		
24	Grant for County Departments of		
25	Social Services for Children's Services	4,148,001	4,148,001
26			
27	TOTAL TEMPORARY ASSISTANCE TO		
28	NEEDY FAMILIES (TANF) FUNDS	\$307,997,158	<u>\$306,234,756</u>
29			<u>\$313,460,826</u>
30			
31	TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)		
32	EMERGENCY CONTINGENCY FUNDS		
33			
34	Local Program Expenditures		
35			
36	Division of Social Services		
37			
38	01. Work First County Block Grants	\$ 5,580,925	\$ 5,580,925
39			
40	02. Work First Electing Counties	25,692	25,692
41			
42	03. Subsidized Child Care	6,549,469	6,549,469
43			<u>11,679,394</u>
44			
45	TOTAL TEMPORARY ASSISTANCE TO		
46	NEEDY FAMILIES (TANF) EMERGENCY		
47	CONTINGENCY FUNDS	\$ 12,156,086	<u>\$ 12,156,086</u>
48			<u>17,286,011</u>

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 <u>27,254,983</u>
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
13.	Foster Care Services	1,385,152	1,385,152
Division of Central Management and Support			
14. <u>13.</u>	DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

1	15.14. Mental Health Services – Adult and		
2	Child/Developmental Disabilities Program/		
3	Substance Abuse Services – Adult	4,030,730	4,030,730
4			
5	DHHS Program Expenditures		
6			
7	Division of Services for the Blind		
8			
9	16.15. Independent Living Program	3,361,323	3,361,323
10			
11	Division of Health Service Regulation		
12			
13	17.16. Adult Care Licensure Program	381,087	381,087
14			
15	18.17. Mental Health Licensure and		
16	Certification Program	190,284	190,284
17			
18	DHHS Administration		
19			
20	19.18. Division of Aging and Adult Services	577,745	577,745
21			
22	20.19. Division of Social Services	559,109	559,109
23			
24	21.20. Office of the Secretary/Controller's Office	127,731	127,731
25			
26	22.21. Division of Child Development	13,878	13,878
27			
28	23.22. Division of Mental Health, Developmental		
29	Disabilities, and Substance Abuse Services	27,446	27,446
30			
31	24.23. Division of Health Service Regulation	118,946	118,946
32			
33	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 62,877,557	\$ 62,877,557
34			<u>59,325,251</u>
35			
36	LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		
37			
38	Local Program Expenditures		
39			
40	Division of Social Services		
41			
42	01. Low-Income Energy Assistance		
43	Program (LIEAP)	\$ 50,876,440	\$ 50,876,440
44			<u>50,032,593</u>
45			
46	02. Crisis Intervention Program (CIP)	33,866,195	33,866,195
47			<u>33,304,484</u>
48			

1	Local Administration		
2			
3	Division of Social Services		
4			
5	03.	County DSS Administration	6,757,731 6,757,731
6			
7	DHHS Administration		
8			
9	04.	Office of the Secretary/DIRM	412,488 412,488
10			
11	05.	Office of the Secretary/Controller's Office	18,378 18,378
12			
13	Transfers to Other State Agencies		
14			
15	Department of Environment and Natural		
16	Resources (DENR)		
17			
18	06.	Weatherization Program	14,947,789 14,947,789
19			<u>14,699,862</u>
20	07.	Heating Air Repair and Replacement	
21		Program (HARRP)	7,193,873 7,193,873
22			<u>7,074,554</u>
23			
24	08.	Local Residential Energy Efficiency Service	
25		Providers – Weatherization	37,257 37,257
26			
27	09.	Local Residential Energy Efficiency Service	
28		Providers – HARRP	338,352 338,352
29			
30	10.	DENR Administration – Weatherization	37,257 37,257
31			
32	11.	DENR Administration – HARRP	338,352 338,352
33			
34	Department of Administration		
35			
36	12.	N.C. Commission on Indian Affairs	87,736 87,736
37			
38	TOTAL LOW-INCOME HOME ENERGY		
39	ASSISTANCE BLOCK GRANT		
40			\$ 114,911,848 \$ 114,911,848
41			<u>113,139,044</u>
42	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
43			
44	Local Program Expenditures		
45			
46	Division of Child Development		
47			
48	01.	Child Care Services	

1	(Smart Start \$7,000,000)	\$ 156,566,345	\$ 158,328,747
2			<u>168,536,136</u>
3			
4	02. Electronic Tracking System	3,000,000	3,000,000
5			
6	03. Transfer from TANF Block Grant		
7	for Child Care Subsidies	71,773,001	71,773,001
8			
9	04. Quality and Availability Initiatives		
10	(TEACH Program \$3,800,000)	24,262,402	22,500,000
11			<u>24,168,551</u>
12			
13	DHHS Administration		
14			
15	Division of Child Development		
16			
17	05. DCDEE Administrative Expenses	6,000,000	6,000,000
18			<u>7,677,977</u>
19			
20	06. Local Subsidized Child Care		
21	Services Support	13,274,413	13,274,413
22			
23	Division of Central Administration		
24			
25	07. DHHS Central Administration – DIRM		
26	Technical Services	775,000	775,000
27			
28	<u>08. Central Regional Maintenance</u>		<u>202,000</u>
29			
30	TOTAL CHILD CARE AND DEVELOPMENT		
31	FUND BLOCK GRANT	\$ 275,651,161	\$ 275,651,161
32			<u>289,407,078</u>
33			
34	MENTAL HEALTH SERVICES BLOCK GRANT		
35			
36	Local Program Expenditures		
37			
38	01. Mental Health Services—Adult	\$ 10,717,607	\$ 10,717,607
39			
40	02. Mental Health Services—Child	5,121,991	5,121,991
41			
42	<u>01. Mental Health Services – Adult/Child</u>		<u>12,398,643</u>
43			
44	<u>02. Crisis Services Initiative</u>		
45	<u>Walk-In Crisis Centers</u>		<u>2,253,833</u>
46	<u>Critical Time Intervention</u>		<u>750,000</u>
47	<u>Peer Support Respite Centers</u>		<u>700,000</u>
48	<u>Paramedic Mobile Crisis</u>		<u>60,000</u>

1		<u>Mental Health First Aid</u>		<u>500,000</u>
2		<u>Group Home Skills Training</u>		<u>65,000</u>
3		<u>Innovative Technologies</u>		<u>41,000</u>
4				
5	03.	Administration	200,000	200,000
6				
7		TOTAL MENTAL HEALTH SERVICES		
8		BLOCK GRANT	\$ 16,039,598	\$ 16,039,598
9				<u>16,968,476</u>
10				
11		SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
12				
13		Local Program Expenditures		
14				
15		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
16				
17	01.	Substance Abuse Services—Adult	\$ 14,960,371	\$ 14,960,371
18				
19	02.	Substance Abuse Treatment Alternative		
20		for Women	6,050,300	6,050,300
21				
22	01.	<u>Substance Abuse Services – Adult/Child</u>		<u>29,519,883</u>
23				
24	02.	<u>Crisis Services Initiative</u>		
25		<u>Walk-In Crisis Centers</u>		<u>420,000</u>
26		<u>Substance Abuse Prevention Initiative/Addiction Recovery</u>		<u>1,085,000</u>
27		<u>Paramedic Mobile Crisis</u>		<u>60,000</u>
28		<u>Innovative Technologies</u>		<u>41,000</u>
29		<u>Veterans Crisis</u>		<u>250,000</u>
30				
31	03.	Substance Abuse – HIV and IV Drug	3,919,723	3,919,723
32				
33	04.	Substance Abuse Prevention – Child	7,186,857	<u>7,186,857</u>
34				<u>8,669,284</u>
35				
36	05.	Substance Abuse Services—Child	4,190,500	4,190,500
37				
38	06.05.	Administration	454,000	454,000
39				
40		Division of Public Health		
41				
42	07.	Risk Reduction Projects	575,654	575,654
43				
44	08.	Aid to Counties	190,295	190,295
45	06.	<u>HIV Testing for Individuals in Substance Abuse</u>		<u>765,949</u>
46				
47		TOTAL SUBSTANCE ABUSE PREVENTION		
48		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)	\$ 8,042,531	\$ 8,042,531 <u>7,574,703</u>
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; Nurse-Family Partnership \$509,018)	8,532,935	8,532,935 <u>8,095,148</u>
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 <u>1,300,578</u>
05.	Women's Health – Maternal Health	105,419	105,419 <u>105,361</u>
06.	State Center for Health Statistics	164,487	164,487 <u>156,230</u>
07.	Health Promotion – Injury and Violence Prevention	89,374	89,374 <u>84,919</u>

DHHS Administration

Division of Public Health

08.	Division of Public Health Administration	573,108	573,108 <u>552,571</u>
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1	TOTAL MATERNAL AND CHILD		
2	HEALTH BLOCK GRANT	\$ 18,854,259	\$ 18,854,259
3			<u>17,914,411</u>
4			
5	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
6			
7	Local Program Expenditures		
8			
9	01. Physical Activity and Prevention	\$ 1,186,142	\$ 1,186,142
10			<u>2,079,945</u>
11			
12	02. Injury and Violence Prevention		
13	(Services to Rape Victims – Set-Aside)	169,730	169,730
14			<u>173,476</u>
15			
16	DHHS Program Expenditures		
17			
18	Division of Public Health		
19			
20	03. HIV/STD Prevention and		
21	Community Planning	145,819	145,819
22			
23	04. Oral Health Preventive Services	46,302	46,302
24			<u>83,760</u>
25			
26	05. Laboratory Services – Testing,		
27	Training, and Consultation	10,980	10,980
28			<u>21,012</u>
29			
30	06. Injury and Violence Prevention		
31	(Services to Rape Victims – Set-Aside)	199,634	199,634
32			
33	07. Heart Disease and Stroke Prevention	162,249	162,249
34			<u>187,693</u>
35			
36	08. Performance Improvement and Accountability	213,971	213,971
37			<u>855,075</u>
38			
39	09. Physical Activity and Nutrition	38,000	38,000
40			<u>68,073</u>
41			
42	10. State Center for Health Statistics	61,406	61,406
43			<u>107,291</u>
44			
45	TOTAL PREVENTIVE HEALTH		
46	SERVICES BLOCK GRANT	\$ 2,234,233	\$ 2,234,233
47			<u>3,921,778</u>
48			

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	\$ 22,402,724	\$ 22,402,724 <u>24,168,417</u>
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02.	Limited Purpose Agencies	1,244,596	1,244,596 <u>1,342,690</u>
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DHHS Administration

03.	Office of Economic Opportunity	1,244,596	1,244,596 <u>1,342,690</u>
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**TOTAL COMMUNITY SERVICES
BLOCK GRANT**

	\$ 24,891,916	\$ 24,891,916 <u>26,853,797</u>
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SOCIAL SERVICES BLOCK GRANT

SECTION 10.25. Section 12J.1.(k) of S.L. 2013-360 is amended to read as rewritten:

"**SECTION 12J.1.(k)** The sum of ~~twenty-nine million four hundred twenty-two thousand one hundred thirty-seven dollars (\$29,422,137)~~ twenty-seven million two hundred fifty-four thousand nine hundred eight three dollars (\$27,254,983) 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 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."

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.26. Section 12J.1.(t) of S.L. 2013-360 is amended to read as rewritten:

"**SECTION 12J.1.(t)** The sum of ~~fifty million eight hundred seventy-six thousand four hundred forty dollars (\$50,876,440)~~ fifty million thirty-two thousand five hundred ninety-three dollars (\$50,032,593) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for ~~each year of the 2013-2015 fiscal biennium~~ the 2014-2015 fiscal year 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."

TANF CONTINGENCY BLOCK GRANT

SECTION 10.27. During State fiscal year 2013-2014, the Department of Health and Human Services received notification of seventeen million seven hundred seventy-six thousand four hundred fifty-two dollars (\$17,776,452) beyond the amount appropriated in the Temporary Assistance for Needy Families Contingency Block Grant in 2013-14 in S.L. 2013-360. The additional available block grant funds are available for use through September 30, 2014. To the extent these funds are not used in 2013-2014 and not appropriated in this act, the funds shall be used to increase the 2014-2015 block grant plan.

PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**UNDER DOCK OYSTER CULTURE**

SECTION 11.1.(a) G.S. 113-210(l) is repealed.

SECTION 11.1.(b) G.S. 113-210(m) is repealed.

SHALLOW DRAFT NAVIGATION CHANNEL AND LAKE DREDGING FUND

SECTION 11.2. 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 and Lake Dredging Fund.

...

(b) The Secretary shall credit to the Shallow Draft Navigation Channel and Lake Dredging 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 and Lake Dredging 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 and Lake Dredging Fund on an ~~annual~~ quarterly basis."

COMMERCIAL FISHING LICENSE FEES

SECTION 11.3.(a) Per Section 14.8(x) of S.L. 2013-360, the Division of Marine Fisheries of the Department of Environment and Natural Resources was directed to seek the involvement of the commercial fishing industry in North Carolina in the Division's development of a plan to determine a source of funding necessary to support the Marine Fisheries At-Sea Observer Program that is in addition to the fee increases under this section.

The following changes in Sections 11.3(b) through 11.3(f) of this act are recommended to commercial fishing license fee increases enacted in S.L. 2013-360 to provide additional support for the 2014-2015 fiscal year for the Marine Fisheries At-Sea-Observer Program.

SECTION 11.3.(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)~~ three hundred dollars (\$300.00). 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)~~ three hundred dollars (\$300.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

- 1 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State
 2 income tax return as a resident of North Carolina for the previous calendar
 3 or tax year, or
 4 (2) G.S. 113-130(4)e.

5"

6 **SECTION 11.3.(c)** G.S. 113-169.2 reads as rewritten:

7 **"§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

8 ...

9 (c) Fees. – Shellfish licenses issued under this section shall be issued annually upon
 10 payment of a fee of ~~thirty-one dollars and twenty-five cents (\$31.25)~~thirty-seven dollars and
 11 fifty cents (\$37.50) upon proof that the license applicant is a North Carolina resident.

12"

13 **SECTION 11.3.(d)** G.S. 113-169.3 reads as rewritten:

14 **"§ 113-169.3. Licenses for fish dealers.**

15 ...

16 (e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license
 17 shall pay a nonrefundable application fee of ~~sixty-two dollars and fifty cents~~
 18 ~~(\$62.50)~~seventy-five dollars (\$75.00) in addition to the license category fees set forth in this
 19 section.

20 (f) License Category Fees. – Every fish dealer subject to licensing requirements shall
 21 secure an annual license at each established location for each of the following activities
 22 transacted there, upon payment of the fee set out:

- 23 (1) Dealing in oysters: ~~\$62.50~~seventy-five dollars (\$75.00).
 24 (2) Dealing in scallops: ~~\$62.50~~seventy-five dollars (\$75.00).
 25 (3) Dealing in clams: ~~\$62.50~~seventy-five dollars (\$75.00).
 26 (4) Dealing in hard or soft crabs: ~~\$62.50~~seventy-five dollars (\$75.00).
 27 (5) Dealing in shrimp, including bait: ~~\$62.50~~seventy-five dollars (\$75.00).
 28 (6) Dealing in finfish, including bait: ~~\$62.50~~seventy-five dollars (\$75.00).
 29 (7) Operating menhaden or other fish-dehydrating or oil-extracting processing
 30 plants: ~~\$62.50~~seventy-five dollars (\$75.00).
 31 (8) Consolidated license (all categories): ~~\$375.00~~four hundred fifty dollars
 32 (\$450.00).

33"

34 **SECTION 11.3.(e)** G.S. 113-169.5 reads as rewritten:

35 **"§ 113-169.5. Land or sell license; vessels fishing beyond territorial waters.**

36 ...

37 (b) The fee for a land or sell license for a vessel not having its primary situs in North
 38 Carolina is ~~two hundred fifty dollars (\$250.00)~~three hundred dollars (\$300.00), or an amount
 39 equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons
 40 aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels
 41 without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell
 42 their catch in the State without complying with this section if the persons are in possession of a
 43 valid license from their state of residence."

44 **SECTION 11.3.(f)** G.S. 113-173 reads as rewritten:

45 **"§ 113-173. Recreational Commercial Gear License.**

46 ...

47 (f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of
 48 purchase. The fee for a RCGL for a North Carolina resident shall be ~~forty-three dollars and~~

1 ~~seventy five cents (\$43.75).~~ fifty-two dollars and fifty cents (\$52.50). The fee for a RCGL for
 2 an individual who is not a North Carolina resident shall be ~~three hundred twelve dollars and~~
 3 ~~fifty cents (\$312.50).~~ three hundred seventy-five dollars (\$375.00).

4"

5
 6 **RECLAIMED WATER PERMIT FEES**

7 **SECTION 11.4.(a)** G.S. 143-215.3D(a) reads as rewritten:

8 "(a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –

9 ...

10 (4) ~~Stormwater and Wastewater Discharge~~ General Permits. – The annual fee
 11 for a certificate of coverage under a general permit for a point source
 12 discharge of stormwater or ~~wastewater~~ wastewater, for a non-discharge of
 13 wastewater or residuals, or for a reclaimed water generator or user is one
 14 hundred dollars (\$100.00).

15 ...

16 (9) Major Reclaimed Water Generator Permits – The annual fee for an
 17 individual reclaimed water generation permit of 10,000 or more gallons per
 18 day is one thousand three hundred ten dollars (\$1,310).

19 (10) Minor Reclaimed Water Generator Permits – The annual fee for an
 20 individual reclaimed water generation permit of less than 10,000 gallons per
 21 day is eight hundred ten dollars (\$810.00).

22 (11) Reclaimed Water User Permits – The annual fee of an individual permit for
 23 reclaimed water use is three hundred sixty dollars (\$360.00)."

24 **SECTION 11.4.(b)** G.S. 143-215.3D(b) reads as rewritten:

25 "(b) Application fee for new ~~discharge and nondischarge permits.~~ discharge,
 26 nondischarge, and reclaimed water permits. – An application for a new permit of the type set
 27 out in subsection (a) of this section shall be accompanied by an initial application fee equal to
 28 the annual fee for that permit. If a permit is issued, the application fee shall be applied as the
 29 annual fee for the first year that the permit is in effect. If the application is denied, the
 30 application fee shall not be refunded."

31
 32 **IMPROVED FINANCIAL MANAGEMENT OF ENVIRONMENTAL STEWARDSHIP**
 33 **FUNDS**

34 **SECTION 11.5.** G.S. 147-69.2(d) reads as rewritten:

35 "(d) The State Treasurer may invest funds deposited pursuant to ~~subdivisions~~ subdivisions
 36 (a)(17i) and (a)(17j) of this section in any of the investments authorized under subdivisions (1)
 37 through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer may
 38 require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a
 39 reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this
 40 subsection. Funds deposited pursuant to this subsection shall remain the funds of the North
 41 Carolina Conservation Easement Endowment ~~Fund,~~ Fund or the Conservation Grant Fund, and
 42 interest or other investment income earned thereon shall be prorated and credited to the North
 43 Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund on the
 44 basis of the amounts thereof contributed, figured according to sound accounting principles."

45
 46 **BOAT WASHING FOR AQUATIC WEED PREVENTION**

1 **SECTION 11.6.** Subject to G.S. 113A-227, the Secretary may adopt rules
2 necessary to implement the provisions relative to boat washing for aquatic weed prevention
3 measures, including rules relating to monitoring and enforcement.

4 Any funds appropriated to the Department of Environment and Natural Resources
5 for the purposes of aquatic weed control statewide would be subject to the authority granted in
6 G.S. 113A-223(a)(6) and G.S. 113A-223(b).

7 8 **DIVISION OF MARINE FISHERIES JOINT ENFORCEMENT AGREEMENT**

9 **SECTION 11.7.** G.S. 113-134.1 reads as rewritten:

10 **"§ 113-134.1. Jurisdiction over marine fisheries resources in Atlantic Ocean.**

11 (a) The Marine Fisheries Commission is directed to exercise all regulatory authority
12 over the conservation of marine fisheries resources in the Atlantic Ocean to the seaward extent
13 of the State jurisdiction over the resources as now or hereafter defined. Marine fisheries
14 inspectors may enforce these regulations and all other provisions of law applicable under the
15 authority granted in this section in the same manner and with the same powers elsewhere
16 granted them as enforcement officers.

17 (b) If authorized by the Fisheries Director or a designee of the Fisheries Director, an
18 inspector may accept delegation of law enforcement powers from the National Marine Fisheries
19 Service of the United States Department of Commerce over matters within the jurisdiction of
20 the Service. For purposes of this subsection, the office of inspector may be held concurrently
21 with any other elected or appointed office, as authorized by Section 9 of Article VI of the North
22 Carolina Constitution."

23 24 **VENDOR SERVICES**

25 **SECTION 11.8.** Chapter 111 of the General Statutes is amended by adding a new
26 section to read:

27 **"§ 111-47.3. Food service at attractions operated by the Department of Environment and** 28 **Natural Resources.**

29 (a) Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North
30 Carolina Department of Environment and Natural Resources may operate or contract for the
31 operation of food or vending services at attractions operated by the Department, as defined in
32 G.S. 105-164.13(60)(e). Notwithstanding G.S. 111-43, the net proceeds of revenue generated
33 by food and vending services provided at attractions operated by the Department or a vendor
34 with whom the Department has contracted shall be credited to the appropriate fund of the
35 division where the funds were generated and shall be used for the operation of that division."

36 (b) This section shall not be construed to alter any contract for food or vending services
37 at any attraction operated by the Department that is in force at the time this section becomes
38 law."

39 40 **ELIMINATE WASTE MANAGEMENT FEE CAP**

41 **SECTION 11.9.** G.S. 130A-294.1(c) is repealed.

42 43 **WATER RESOURCES REVERSION OF LABORATORY CERTIFICATION FEE**

44 **SECTION 11.10.** G.S. 143-215.3A(a) reads as rewritten:

45 "(a) The Water and Air Quality Account is established as an account within the
46 Department. Revenue in the Account shall be applied to the costs of administering the
47 programs for which the fees were collected. Revenue credited to the Account pursuant to
48 G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air

1 quality program. ~~Any funds credited to the Account from fees collected for laboratory facility~~
2 ~~certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year~~
3 ~~for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert.~~ Any
4 other funds credited to the Account that are not expended at the end of each fiscal year shall not
5 revert. Except for the following fees, all application fees and permit administration fees
6 collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter
7 shall be credited to the Account."

9 **STUDY OF MODERN SEVERANCE TAX ON LIQUID OR GAS HYDROCARBONS**

10 **SECTION 11.11.** Local governments, along with the State, bear the infrastructure
11 costs associated with the extraction and production of energy resources and therefore should
12 receive a distribution of the Severance Tax. Accordingly, DENR shall consult and receive
13 advice from the public and report to the General Assembly by March 15, 2015, recommending
14 the appropriate allocation of severance tax revenues between State general funds, special funds,
15 and local governments.

17 **NATURAL HERITAGE PROGRAM ACCESS ONLINE DATA FEES**

18 **SECTION 11.12.(a)** Chapter 113A of the General Statutes is amended by adding
19 the following new section to read:

20 **"§ 113A-164.12 Access to information; fees.**

21 (a) The Secretary may establish fees to defray the costs associated with responding to
22 inquiries requiring customized environmental review services or the costs associated with
23 developing, improving, or maintaining technology that supports an online interface for external
24 users to access Natural Heritage Program data. The Secretary may reduce or waive the fee
25 established under this paragraph if the Secretary determines that a waiver or reduction of the
26 fee is in the public interest.

27 (b) Fees collected under this section are receipts of the Department of Environment and
28 Natural Resources and shall be deposited in the Clean Water Management Trust Fund for the
29 purpose of supporting the operations of the Natural Heritage Program."

30 **SECTION 11.12.(b)** G.S. 113A-253(8e) reads as rewritten:

31 "(8e) To authorize expenditures from the Fund not to exceed seven hundred fifty thousand
32 dollars (\$750,000) plus any fees generated pursuant to G.S. 113A-164.12 to pay for the
33 inventory of natural areas conducted under the Natural Heritage Program established pursuant
34 to the Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes, and to pay for
35 conservation and protection planning and for informational programs for owners of natural
36 areas, as defined in G.S. 113A-164.3."

38 **PART XII. DEPARTMENT OF COMMERCE**

40 **INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT AND** 41 **DIGITAL CONVERSION OF PAPER FILES**

42 **SECTION 12.1.(a)** Notwithstanding Section 15.2 of S.L. 2013-360, the North
43 Carolina Industrial Commission shall retain the additional revenue generated as a result of an
44 increase in the fee charged to parties for the filing of compromised settlements.

45 **SECTION 12.1.(b)** These funds shall be used to operate and maintain needed
46 databases and case management systems, including two time-limited positions for application
47 support and mainframe support/migration.

1 **SECTION 12.1.(c)** These funds shall also be used for the purpose of digitizing the
2 Commission's archive of paper files not eligible for destruction and disposal. These funds may
3 also be used for one time-limited position for quality control and verification.

4 **SECTION 12.1.(d)** These funds may also be used to replace existing computer
5 hardware and software used for operations of the Commission.

6 **SECTION 12.1.(e)** The Commission may not retain any fees under this section
7 unless they are in excess of the former two hundred dollar (\$200.00) fee charged by the
8 Commission for filing a compromised settlement.

9
10 **REIMBURSEMENT FOR PRESCRIPTION DRUGS AND PROFESSIONAL**
11 **PHARMACEUTICAL SERVICES**

12 **SECTION 12.2.** Chapter 97 of the General Statutes is amended by adding a new
13 section to read as follows:

14 **"§ 97-26.2. Reimbursement for prescription drugs and professional pharmaceutical**
15 **services.**

16 The reimbursement for prescription drugs and professional pharmaceutical services shall be
17 limited to one hundred five per centum (105%) of the average wholesale price (AWP) of the
18 product, calculated on a per unit basis, as of the date of dispensing.

19 (1) A medical provider or pharmacy seeking reimbursement for drugs dispensed
20 by a physician shall include the original manufacturer's National Drug Code
21 (NDC) number, as assigned by the Food and Drug Administration, on the
22 bills and reports required under this section.

23 (2) In no event may a physician seek reimbursement in excess of one hundred
24 five percent (105%) of the AWP of the drugs dispensed by a physician as
25 determined by reference to the original manufacturer's NDC number.

26 (3) A repackaged NDC number may not be used and will not be considered the
27 original manufacturer's NDC number. If a medical provider or pharmacy
28 seeking reimbursement for drugs dispensed by a physician does not include
29 the original manufacturer's NDC number on the bills and reports required by
30 this section, reimbursement shall be limited to one hundred ten percent
31 (110%) of the AWP of the least expensive clinically equivalent drug,
32 calculated on a per-unit basis.

33 (4) No outpatient provider, other than a licensed pharmacy, may seek
34 reimbursement for drugs dispensed in excess of an initial five-day supply,
35 commencing upon the employee's initial treatment following injury.
36 Reimbursement shall be made for such five-day supply at the rates set forth
37 in this section.

38 (5) For purposes of this subdivision, clinical equivalents, in reference to a drug,
39 means the drug has chemical equivalents which, when administered in the
40 same amounts, will provide essentially the same therapeutic effect as
41 measured by the control of a symptom or a disease."

42
43 **BASE REALIGNMENT AND CLOSURE (BRAC)**

44 **SECTION 12.3.(a)** Funds appropriated to the North Carolina Department of
45 Commerce for the 2013-2014 fiscal year that are unexpended and unencumbered as of June 30,
46 2014, shall not revert to the General Fund, but shall remain available to the Department until
47 expended for use in the State's preparation for Department of Defense BRAC activities.

48 **SECTION 12.3.(b)** This section becomes effective June 30, 2014.

EMPLOYMENT SECURITY RESERVE FUND

SECTION 12.4. Section 15.4 of S.L. 2013-360 is amended by adding a new subsection to read:

"SECTION 15.4.(c) There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, the Division of Employment Security, the sum of five hundred thousand dollars (\$500,000) for the 2014-2015 fiscal year to be used for the following purposes:

- (1) Two hundred thousand dollars (\$200,000) to operate the system that tracks former participants in State education and training programs.
- (2) Three hundred thousand dollars (\$300,000) to maintain compliance with Chapter 96 of the General Statutes, which directs the Department of Commerce, Division of Employment Security, to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the State's job training, education, and placement programs."

TVA SETTLEMENT RECEIPTS TRANSFER

SECTION 12.5. Any TVA Settlement funds received by the Department of Commerce for FY 2013-2014 shall be transferred to the Department of Agriculture to be used in accordance with the TVA Settlement Agreement.

UTILITIES COMMISSION REGULATORY FEE

SECTION 12.6. The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is fourteen hundredths of one percent (0.14%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2014.

The electric membership corporation regulatory fee imposed under G.S. 62-302(b)1 for the 2014-2015 fiscal year is two hundred thousand dollars (\$200,000).

CLARIFY THAT BUILDING REUSE GRANTS FROM THE RURAL INFRASTRUCTURE AUTHORITY MAY BE USED FOR OCCUPIED BUILDINGS

SECTION 12.7. G.S. 143B-472.127(a)(2) reads as rewritten:

- "(2) To provide matching grants or loans to local government units in an economically distressed county that will productively reuse ~~vacant~~ buildings and properties or construct or expand rural health care 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."

REFORM PRODUCTION TAX CREDIT WITH A NEW TAX CREDIT PROPORTIONAL TO TAXES PAID BY PRODUCTION COMPANIES ON QUALIFYING EXPENDITURES

SECTION 12.8.(a) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 47.

"Motion Picture Production Tax Credit.

"§ 105-129.110. Definitions.

The following definitions apply in this section:

- 1 (1) Awards show. – Television programming involving the filming of a
2 ceremony in which individuals, groups, or organizations are given an award
3 of any type.
- 4 (2) Department. – The Department of Revenue.
- 5 (3) Eligible motion picture production company. – Defined in G.S. 105-164.3.
- 6 (4) Employee. – Defined in G.S. 105-163.1.
- 7 (5) Feature-length film. – A production intended for commercial distribution to
8 a motion picture theater or directly to the consumer viewing market that has
9 a running time of at least 75 minutes.
- 10 (6) Highly compensated individual. – An individual who directly or indirectly
11 receives compensation in excess of one million dollars (\$1,000,000) for
12 personal services with respect to a single motion picture production. An
13 individual receives compensation indirectly when a production company
14 pays a personal service company or an employee leasing company that pays
15 the individual.
- 16 (7) Live sporting event. – A scheduled sporting competition, game, or race that
17 is not originated by a motion picture production company, but originated
18 solely by an amateur, collegiate, or professional organization, institution, or
19 association for live or tape-delayed television or satellite broadcast. A live
20 sporting event does not include commercial advertising, an episodic
21 television series, a television pilot, a music video, a motion picture, or a
22 documentary production in which sporting events are presented through
23 archived historical footage or similar footage taken at least 30 days before it
24 is used.
- 25 (8) Motion picture production. – A feature-length film, video, television series
26 defined as a season not to exceed 27 episodes, or a commercial for theatrical
27 or television viewing or a television pilot. The term shall not include a
28 production featuring news, current events or pre- or post-event coverage of
29 live sporting events, weather and financial market reports; a talk show, game
30 show, live sporting event or scripted sports entertainment event, awards
31 show, or other gala event; a production whose primary purpose is
32 fundraising; political advertising; a long-form production that primarily
33 markets a product or service; or a production containing material that is
34 obscene, as defined in G.S. 14-190.1.
- 35 (9) Other qualifying expenditures. – The sum of the following amounts spent in
36 this State by an eligible motion picture production company, excluding
37 amounts spent on goods and services purchased from a relative or related
38 member, on production-related expenditures:
- 39 a. Employee fringe contributions, including health, pension, and
40 welfare contributions.
- 41 b. Per diems, stipends, and living allowances paid for work being
42 performed in this State.
- 43 c. The cost of production-related insurance coverage obtained on the
44 production.
- 45 (10) Production company. – Defined in G.S. 105-164.3.
- 46 (11) Production-related expenditures. – Preproduction, production, and
47 postproduction expenditures in this State directly relating to a qualifying
48 motion picture production, including without limitation the following: set

1 construction and operation; wardrobes, makeup, accessories, and related
2 services; costs associated with photography and sound synchronization,
3 lighting, and related services and materials; editing and related services;
4 rental of facilities and equipment; leasing of vehicles; costs of food and
5 lodging; digital or tape editing, film processing, transfer of film to tape or
6 digital format, sound mixing, special and visual effects; and payroll. This
7 term shall not include expenditures for marketing and distribution,
8 nonproduction related overhead, amounts reimbursed by the State or any
9 other governmental entity, or amounts that are paid to persons or entities as a
10 result of their participation in profits from the exploitation of the production.

11 (12) Qualifying motion picture production. – A motion picture production made
12 in this State, in whole or in part, with total qualifying expenditures of at least
13 one million dollars (\$1,000,000).

14 (13) Related member. – Defined in G.S. 105-130.7A.

15 (14) Relative. – Defined in G.S. 105-277.2.

16 (15) Sales-related qualifying expenditures. – The sum of the amount spent in this
17 State by an eligible motion picture production company on
18 production-related expenditures on the following:

19 a. Goods and services leased or purchased for which tax is due to this
20 State under Article 5 of this Chapter.

21 b. Motor fuels purchased for which tax is due to this State under Part 3
22 of Article 36C of this Chapter.

23 (16) Secretary. – The Secretary of Revenue.

24 (17) Talk show. – Television programming in which a host or hosts interviews or
25 holds discussions with guests.

26 (18) Total qualifying expenditures. – The sum of the amounts spent in this State
27 by an eligible motion picture production company on withholding-related
28 qualifying expenditures, sales-tax-related qualifying expenditures, and other
29 qualifying expenditures.

30 (19) Withholding-related qualifying expenditures. – The sum of the following
31 amounts spent in this State by an eligible motion picture production
32 company on production-related expenditures, less the amount in excess of
33 one million dollars (\$1,000,000) paid to a highly compensated individual:

34 a. Compensation and wages paid to employees of an eligible motion
35 picture production company on which withholding payments are
36 remitted to the Department under Article 4A of this Chapter.
37 Compensation and wages paid to an employee who is a relative or
38 related member are not qualifying expenditures.

39 b. Services leased or purchased by an eligible motion picture
40 production company from a person subject to tax under Article 4 of
41 this Chapter for which no tax is due to the Department under Article
42 5 of this Chapter. Services leased or purchased from a relative or
43 related member are not qualifying expenditures.

44 **§ 105-129.111. Credit for Tax Payments on Withholding- and Sales-Related Qualifying**
45 **Expenditures.**

46 (a) Credit. – A taxpayer that is an eligible motion picture production company is
47 allowed a credit against the company's taxes imposed by Article 4 of this Chapter equal to the
48 following amounts:

- 1 (1) The amount of withholding payments, not to exceed five and three-tenths
2 percent (5.3%) of total direct and indirect wages paid to a single employee
3 for services rendered on a single qualifying motion picture production,
4 remitted to the Department on behalf of motion picture production company
5 employees for withholding-related qualifying expenditures.
- 6 (2) Four percent (4.0%) of payments for services leased or purchased from a
7 personal service company or an employee leasing company that is a
8 nonresident entity, as defined in G.S. 105-163.1.
- 9 (3) Five percent (5.0%) of payments for services leased or purchased that meet
10 the definition of withholding-related qualifying expenditures from a business
11 that does not meet the definition of a nonresident entity in G.S. 105-163.1.
- 12 (4) The amount of tax payable by the taxpayer under G.S. 105-130.3 or
13 G.S. 105-153.7 for the taxable year.
- 14 (5) Sales and use tax paid to this State for sales-related qualifying expenditures,
15 excluding local sales and use taxes authorized by Subchapter VIII of this
16 Chapter.
- 17 (6) For sales-related qualifying expenditures that would otherwise be distributed
18 to a taxing county that has agreed to forego its share of local sales and use
19 tax for a qualifying motion picture production under the provisions of
20 G.S. 105-539.1, the local sales and use tax authorized by Subchapter VIII of
21 this Chapter paid to this State for sales-related qualifying expenditures.
- 22 (7) Motor fuels excise taxes paid to this State for sales-related qualifying
23 expenditures.

24 (b) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and
25 G.S. 105-269.15, a pass-through entity that qualifies for a credit provided in this section does
26 not distribute the credit among any of its owners. The pass-through entity is considered the
27 taxpayer for purposes of claiming a credit allowed by this section. If a return filed by a
28 pass-through entity indicates that the entity is paying tax on behalf of the owners of the entity, a
29 credit allowed under this section does not affect the entity's payment of tax on behalf of its
30 owners.

31 (c) Return. – A taxpayer may claim a credit allowed by this section on a return filed for
32 the taxable year in which the motion picture production activities are completed. The return
33 must state the name of the production, a description of the production, and a detailed
34 accounting of the qualifying expenses with respect to which a credit is claimed. The return
35 must include a copy of the motion picture production on DVD or in another form mutually
36 agreed upon by the taxpayer and the Department. The qualifying expenses are subject to audit
37 by the Secretary before the credit is allowed.

38 (d) Credit Refundable. – If a credit allowed by this section exceeds the amount of tax
39 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the
40 Secretary must refund the excess to the taxpayer. The refundable excess allowed under this
41 section is not an overpayment of tax and does not accrue interest as provided in
42 G.S. 105-241.21. In computing the amount of tax against which multiple credits are allowed,
43 nonrefundable credits are subtracted before refundable credits.

44 (e) Limitations. – The amount of credit allowed under this section with respect to a
45 qualifying motion picture production may not exceed six million dollars (\$6,000,000) nor may
46 the amount of credit allowed exceed the total amount of taxes paid by the eligible motion
47 picture production company, its employees, and persons from whom the eligible motion picture
48 production has leased or purchased on withholding-related qualifying expenditures and

1 sales-related qualifying expenditures. Only one motion picture production company is allowed
2 to claim a credit under this section for each qualifying motion picture production.

3 (f) Substantiation. – A taxpayer allowed a credit under this section must maintain and
4 make available for inspection any information or records required by the Secretary, including a
5 copy of the motion picture production in a form mutually agreed upon by the taxpayer and the
6 Department. The taxpayer has the burden of proving eligibility for a credit and the amount of
7 the credit. The Secretary may consult with the North Carolina Film Office of the Department of
8 Commerce and the regional film commissions in order to determine the amount of total and
9 withholding-related qualifying expenditures.

10 (g) Report. – The Department must include in the economic incentives report required
11 by G.S. 105-256 the following information, itemized by taxpayer:

12 (1) The location of sites used in a motion picture production for which a credit
13 was taken.

14 (2) The total and withholding-related qualifying expenditures for which a credit
15 was taken.

16 (3) The number of people employed in the State with respect to credits taken.

17 (4) The total cost to the General Fund of the credits taken.

18 (h) NC Film Office. – To claim a credit under this section, a taxpayer must first notify
19 the Division of Tourism, Film, and Sports Development in the Department of Commerce of the
20 taxpayer's intent to claim the motion picture production tax credit. A taxpayer who fails to first
21 provide said notification is ineligible to claim a credit allowed under this Article. The
22 notification must include the title of the production, the name of the production company, a
23 financial contact for the motion picture production company, the proposed dates on which the
24 motion picture production company plans to begin filming the production, and any other
25 information required by the Division. For motion picture productions that have production
26 credits, a taxpayer claiming a credit under this section must acknowledge in the production
27 credits both the North Carolina Film Office and the regional film office responsible for the
28 geographic area in which the filming of the motion picture production occurred.

29 **"§ 105-129.112. Sunset.**

30 This Article is repealed for qualifying expenditures occurring on or after January 1, 2018."

31 **SECTION 12.8.(b)** Chapter 105 of the General Statutes is amended by adding a
32 new Article to read:

33 "Article 48.

34 "Local Motion Picture Production Sales Tax Refund.

35 **"§ 105-539.1. Foregoing local tax revenue for a qualifying motion picture production.**

36 (a) Resolution. – A taxing county may, by resolution of the board of county
37 commissioners, authorize the State to retain the portion of the local sales and use tax for
38 sales-related qualifying expenditures of eligible motion picture production companies for the
39 purpose of producing a qualifying motion picture production that would otherwise be
40 distributed to the taxing county under Subchapter VIII of this Chapter. Adoption of said
41 resolution does not affect a liability for a tax that was attached before the effective date or the
42 resolution, nor does it affect a right to a refund of a tax that accrued before the effective date of
43 the resolution.

44 (b) Repeal. – By vote of the board of county commissioners, a taxing county may repeal
45 a resolution adopted in accordance with subsection (a) of this section. The effective date of a
46 vote to repeal a resolution adopted in accordance with subsection (a) of this section shall be no
47 sooner than the end of the fiscal year in which the board of county commissioners votes to
48 repeal said resolution."

1 **SECTION 12.8.(c)** G.S. 153A-155 reads as rewritten:

2 "**§ 153A-155. Uniform provisions for room occupancy taxes.**

3 ...

4 **(b1) Exemption for a Qualifying Motion Picture Production.** – A taxing county, by
5 resolution of the governing body of the county, may allow a refund of occupancy taxes paid for
6 the sales-related qualifying expenditures of an eligible motion picture production, as defined in
7 G.S. 105-129.110. A refund allowed under this subsection shall become effective on the date
8 specified in the resolution levying the tax for room occupancy taxes paid by an eligible motion
9 picture production company after that date. That date must be the first day of a calendar month,
10 however, and may not be earlier than the first day of the second month after the date the
11 resolution is adopted.

12 ...

13 **(f) Repeal or Reduction.** – A room occupancy tax levied by a county or an exemption
14 authorized under subsection (b1) of this section may be repealed or reduced by a resolution
15 adopted by the governing body of the county. Repeal or reduction of a room occupancy tax or
16 an exemption shall become effective on the first day of a month and may not become effective
17 until the end of the fiscal year in which the resolution was adopted. Repeal or reduction of a
18 room occupancy tax or an exemption does not affect a liability for a tax that was attached
19 before the effective date of the repeal or reduction, nor does it affect a right to a refund of a tax
20 that accrued before the effective date of the repeal or reduction.

21 "

22 **SECTION 12.8.(d)** G.S. 105-164.3 reads as rewritten:

23 "**§ 105-164.3. Definitions.**

24 The following definitions apply in this Article:

25 ...

26 **(30) Production company.** – A person ~~engaged in the business of making original~~
27 ~~motion picture, television, or radio images for theatrical, commercial,~~
28 ~~advertising, or educational purposes who is primarily engaged in the~~
29 production of a motion picture production and controls the motion picture
30 production during production. "Primarily engaged in the production of a
31 motion picture production and controls the motion picture production during
32 production" means the person or legal entity is responsible for payment of
33 the direct production expenses, including preproduction and postproduction,
34 and is a signatory to the motion picture production's contracts with its
35 payroll company and facility operators.

36 ...

37 **(30c) Eligible motion picture production company.** – A person primarily engaged
38 in the business of making or contracting with another person or persons in
39 making a qualifying motion picture production, as defined in
40 G.S. 105-129.110.

41 "

42 **SECTION 12.8.(e)** G.S. 105-259(b) is amended by adding a new subdivision to
43 read:

44 **"(b) Disclosure Prohibited.** – An officer, an employee, or an agent of the State who has
45 access to tax information in the course of service to or employment by the State may not
46 disclose the information to any other person except as provided in this subsection. Standards
47 used or to be used for the selection of returns for examination and data used or to be used for

determining the standards may not be disclosed for any purpose. All other tax information may be disclosed only if the disclosure is made for one of the following purposes:

...

(46) To comply with the reporting requirements under G.S. 105-129.111(g)."

SECTION 12.8.(f) This section is effective for qualifying expenditures incurred on or after January 1, 2015.

ESTABLISH A TAX CREDIT FOR INVESTING IN PRODUCTION/POSTPRODUCTION FACILITIES IN NORTH CAROLINA

SECTION 12.9. Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 3L.

"Motion Picture Production/Postproduction Facility Tax Credit.

"§ 105-129.100. Definitions.

The following definitions apply in this section:

- (1) Eligible investment. – Cash or the fair market value of real property with any improvements thereon, or any combination of these. To qualify as eligible investment, cash must have been expended for real property and real property improvements in this State. Investments in the form of real property must be real property located in this State on which facilities are located.
- (2) Production facility. – A site in this State that contains soundstages designed for the express purpose of film and television production for both theatrical and video release. Production includes, but is not limited to, motion pictures, made-for-television movies, and episodic television to a national or regional audience. The production facility site must include production offices, construction shops/mills, prop and costume shops, storage areas, and parking for production vehicles, all of which complement the production needs and orientation of the overall facility purpose. The term does not include television stations, recording studios, or facilities predominately used to produce videos, commercials, training films, or advertising films.
- (3) Postproduction facility. – A site in this State designated for the express purpose of accomplishing the postproduction stage of film and television production for both theatrical and video release, including the creation of visual effects, editing, and sound mixing. A postproduction facility site is not required to contain a soundstage or be physically located at or near soundstages.

"§ 105-129.101. Credit for investment in a production or postproduction facility.

(a) Credit. – A taxpayer may claim a credit in an amount equal to twenty percent (20%) of the amount of a taxpayer's eligible investment in a company that constructs or converts or equips, or any combination of these activities, a production facility or postproduction facility in this State. The credit may be claimed in the year in which the production or postproduction facility is placed into service.

(b) Limitations. – No credit is allowed unless the total amount invested in the production facility is at least two million dollars (\$2,000,000), exclusive of land costs, or the total amount invested in a postproduction facility is at least one million dollars (\$1,000,000), exclusive of land costs. The total amount of credit that may be claimed by all taxpayers with respect to the construction or conversion or equipping, or any combination of these activities, of a single production facility or post-production facility may not exceed five million dollars

1 (\$5,000,000), with credit amounts for a facility whose total credit would exceed the maximum
2 amount reduced pro rata for each investor based on the investor's share of total eligible
3 investment. A taxpayer may claim the credit allowed by this section only one time in
4 connection with a single production or postproduction facility.

5 (c) Notification. – Investors in a production or postproduction facility who intend to
6 claim a credit allowed under this Article shall notify in writing the principal owner of the
7 facility of the investor's intent to claim a credit. The principal owner of a facility or a designee
8 of the principal owner must provide in writing the total amount of eligible investment in the
9 production or postproduction facility to all investors who notify the owner of an intent to claim
10 a credit if the total amount of eligible investment in a facility is below the minimum amounts
11 for production and postproduction facilities in subsection (b) of this section or if the total
12 amount of eligible investment exceeds twenty-five million dollars (\$25,000,000).

13 (d) Change in Ownership of Facility. – The sale, merger, consolidation, conversion,
14 acquisition, or bankruptcy of a production or postproduction facility, or any transaction by
15 which the facility is reformulated as another business, does not create new eligibility in a
16 succeeding owner with respect to a credit for which the predecessor was not eligible under this
17 section. A successor business may, however, take any carried-over portion of a credit that its
18 predecessor could have taken if it had a tax liability.

19 (e) Pass-Through Entity Allocation. – Notwithstanding the provisions of
20 G.S. 105-131.8 and G.S. 105-269.15, a pass-through entity that qualifies for the credit provided
21 in this section may allocate the credit among any of its owners in its discretion as long as an
22 owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of
23 the taxable year in which the eligible site is placed in service, is at least forty percent (40%) of
24 the amount of credit allocated to that owner. Owners to whom a credit is allocated are allowed
25 the credit as if they had qualified for the credit directly. A pass-through entity and its owners
26 must include with their tax returns for every taxable year in which an allocated credit is claimed
27 a statement of the allocation made by the pass-through entity and the allocation that would have
28 been required under G.S. 105-131.8 or G.S. 105-269.15.

29 **"§ 105-129.102. Tax election; cap; substantiation; no double credit.**

30 (a) Tax Election. – The credit allowed in this Article is allowed against the franchise
31 tax levied in Article 3 of this Chapter or the income taxes levied in Article 4 of this Chapter.
32 The taxpayer must elect the tax against which a credit will be claimed when filing the return on
33 which the credit is first claimed. This election is binding. Any carryforwards of a credit must be
34 claimed against the same tax.

35 (b) Cap. – A credit allowed under this Article may not exceed the amount of the tax
36 against which it is claimed for the taxable year reduced by the sum of all credits allowed,
37 except payment of tax made by or on behalf of the taxpayer. Any unused portion of the credit
38 may be carried forward for the succeeding nine years.

39 (c) Substantiation. – A taxpayer allowed a credit under this section and the principal
40 owner of a production or postproduction facility with eligible investments must maintain and
41 make available for inspection any information or records required by the Secretary of Revenue.
42 The taxpayer has the burden of proving eligibility for a credit and the amount of the credit.

43 (d) No Double Credit. – A production or postproduction facility that is eligible for the
44 credit allowed in this section is not allowed the credit for investing in business property
45 provided in G.S. 105-129.88.

46 **"§ 105-129.103. Sunset.**

47 This Article is repealed for taxable years beginning on or after January 1, 2018.

48 **"§ 105-129.104. Report.**

1 The Department must include in the economic incentives report required by G.S. 105-256
2 the following information itemized by taxpayer:

- 3 (1) The number of taxpayers that took the credits allowed in this Article.
4 (2) The amount of eligible investment with respect to which credits were taken.
5 (3) The total cost to the General Fund of the credits taken."
6

7 **MODIFY ONE NORTH CAROLINA FUND AWARDS**

8 **SECTION 12.10.(a)** G.S. 143B-437.71(b) reads as rewritten:

9 "(b1) Awards. – The amounts committed in Governor's Letters issued in a single-fiscal
10 biennium 2013-2015 may not exceed twenty-eight million dollars (\$28,000,000)thirty-eight
11 million dollars (\$38,000,000)."

12 **SECTION 12.10.(b)** This section expires June 30, 2015.
13

14 **FUNDS FOR SUPPORT CENTER**

15 **SECTION 12.11.** Of the funds appropriated from the General Fund to the North
16 Carolina Department of Commerce for the 2014-2015 fiscal year to create a new competitive
17 grant program for underserved and low-resource communities, one million dollars (\$1,000,000)
18 shall be allocated to The Support Center.
19

20 **PART XIII. DEPARTMENT OF PUBLIC SAFETY**

21 **ATTORNEY GENERAL CHANGES**

22 **SECTION 12A.1.(a)** G.S. 114-2(2) reads as rewritten:

23 **"§ 114-2. Duties.**

24 It shall be the duty of the Attorney General:

- 25 ...
26 ...
27 (2) To represent all State departments, agencies, institutions, commissions,
28 bureaus or other organized activities of the State which receive support in
29 whole or in part from the State. Where the Attorney General represents a
30 State department, agency, institution, commission, bureau, or other
31 organized activity of the State which receives support in whole or in part
32 from the State, the Attorney General shall act in conformance with the
33 current Rule 1.2 of the Rules of Professional Conduct of the North Carolina
34 State Bar.
35

36"

37 **SECTION 12A.1.(b)** G.S. 114-2.2 reads as rewritten:

38 **"§ 114-2.2. Attorney General to approve consent judgments.**

39 (a) To be effective against the State, a consent judgment entered into by the State, a
40 State department, State agency, State institution, or a State officer who is a party in his official
41 capacity must be signed personally by the Attorney General. This power of approval may not
42 be delegated to a deputy or assistant Attorney General or to any other subordinate. This
43 subsection shall not apply to consent judgments that involve the interests of or name as a party
44 a State cabinet department.

45 (a1) Where a dispute, claim or controversy involves the interests of or names as a party a
46 State cabinet department, a consent judgment shall be approved by the department head before
47 the judgment may be entered, in conformance with Rule 1.2 of the Rules of Professional
48 Conduct of the North Carolina State Bar.

(b) The provisions of this section are supplemental to G.S. 114-2.1.

1 (c) Notwithstanding subsection (a) of this section, the Attorney General by rule may
2 delegate to a deputy or assistant Attorney General or to another subordinate the power to sign
3 consent judgments in condemnation or eminent domain actions brought under the provisions of
4 Chapters 40A or 136 of the General Statutes and consent judgments under the provision of
5 Article 31 of Chapter 143 (Tort Claims Act) and Chapter 97 (Workers' Compensation Act) of
6 the General Statutes."

7 **SECTION 12A.1.(c)** G.S. 114-2.4 reads as rewritten:

8 "**§ 114-2.4. ~~Attorney General to render opinion on settlement~~ Settlement agreements.**

9 (a) The Attorney General shall review the terms of all proposed agreements entered into
10 by the State or a State department, agency, institution, or officer to settle or resolve litigation or
11 potential litigation, that involves the payment of public monies in the sum of seventy-five
12 thousand dollars (\$75,000) or more. In order for such an agreement or contract to be effective
13 against the State, the Attorney General shall submit to the State or the State department,
14 agency, institution, or officer a written opinion regarding the terms of the proposed agreement
15 and the advisability of entering into the agreement, prior to entering into the agreement. The
16 written opinion required by this section shall be maintained in the official file of the final
17 settlement agreement. The Attorney General by rule may delegate to a deputy or assistant
18 Attorney General or to another subordinate the authority to approve settlement agreements.
19 This subsection shall not apply to settlement agreements that involve the interests of or name as
20 a party a State cabinet department.

21 (a1) Where a dispute, claim or controversy involves the interests of or names as a party a
22 State cabinet department, a settlement agreement shall be approved by the department head
23 before the agreement may be entered into, in conformance with Rule 1.2 of the Rules of
24 Professional Conduct of the North Carolina State Bar.

25 (b) The Attorney General shall report to the Joint Legislative Commission on
26 Governmental Operations on all agreements entered into by the State or a State department,
27 agency, institution, or officer to settle or resolve litigation or potential litigation, that involves
28 the payment of public monies in the sum of seventy-five thousand dollars (\$75,000) or more."
29

30 **PART XIII. DEPARTMENT OF PUBLIC SAFETY**

31 **SUBPART XIII-A. GENERAL PROVISIONS**

32 **LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS**

33 **SECTION 13A.1.** Notwithstanding any other provision of law, subject to the
34 approval of the Director of the Budget, the Secretary of the Department of Public Safety may
35 reclassify or eliminate existing administrative positions that are not specifically addressed in
36 this act as needed for the efficient operation of the Department. The Secretary of the
37 Department of Public Safety shall report any position reclassification undertaken pursuant to
38 this section to the Chairs of the House of Representatives Appropriations Subcommittee on
39 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and
40 Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The
41 report shall include the position number, original title, original fund code, original budgeted
42 salary, new title, new fund code, and new budgeted salary for each reclassified position.
43
44
45

46 **USE OF CLOSED FACILITIES**

47 **SECTION 13A.2.** Section 16A.3 of S.L. 2013-360 reads as rewritten:

1 "SECTION 16A.3. In conjunction with the closing of prison facilities, youth detention
 2 centers, and youth development centers, the Department of Public Safety shall consult with the
 3 county or municipality in which the facility is located, with the elected State and local officials,
 4 and with State and federal agencies about the possibility of converting that facility to other use.
 5 The Department may also consult with any private for profit or nonprofit firm about the
 6 possibility of converting the facility to other use. In developing a proposal for future use of
 7 each facility, the Department shall give priority to converting the facility to other criminal
 8 justice use. Consistent with existing law and the future needs of the Department of Public
 9 Safety, the State may provide for the transfer or the lease of any of these facilities to counties,
 10 municipalities, State agencies, federal agencies, or private firms wishing to convert them to
 11 other use. The Department of Public Safety may also consider converting some of the facilities
 12 recommended for closing from one security custody level to another, where that conversion
 13 would be cost effective. A prison unit under lease to a county pursuant to the provisions of this
 14 section for use as a jail is exempt for the period of the lease from any of the minimum standards
 15 adopted by the Secretary of Health and Human Services pursuant to G.S. 153A 221 for the
 16 housing of adult prisoners that would subject the unit to greater standards than those required of
 17 a unit of the State prison system.

18 In addition, the Division of Adult Correction and Juvenile Justice of the Department of
 19 Public Safety may, with prior approval of the Office of State Budget and Management, use
 20 available funds to reopen and convert closed facilities for use as treatment and behavior
 21 modification facilities for offenders serving a period of confinement in response to violation
 22 pursuant to G.S. 15A-1344(d2)."

23 24 AMEND DEFINITION OF EMERGENCY

25 SECTION 13A.3. G.S. 166A-19.3(6) reads as rewritten:

26 "(6) Emergency. – An occurrence or imminent threat of widespread or severe
 27 damage, injury, or loss of life or property ~~resulting from~~ that may result from,
 28 but is not limited to, any natural or man-made accidental, military,
 29 paramilitary, weather-related, public health, or riot-related ~~riot-related,~~
 30 explosion, or terrorism-related cause."

31 32 ESTABLISHMENT OF CHEMICAL ACCIDENT PREVENTION PROGRAM AND 33 FEE

34 SECTION 13A.4. Chapter 166A of the General Statutes is amending by adding a
 35 new Article to read:

36 "Article 6.

37 "Chemical Accident Prevention Program.

38 39 "§ 166A-64.1. Title; purpose.

40 (a) This Article may be cited as "The North Carolina Chemical Accident Prevention
 41 Program."

42 (b) The purposes of this Article are to set the programmatic needs for the Chemical
 43 Accident Prevention Program and to ensure local, regional, and State preparedness for chemical
 44 emergencies for the State of North Carolina.

45 "§ 166A-64.2. Definitions.

46 As used in this Article, the following definitions apply:

47 (1) Department. – The term "Department" means the Department of Public
 48 Safety.

- 1 a. A form specified by the department for listing hazardous chemicals
2 as required by EPCRA; or
3 b. A form accepted by the EPA under EPCRA for listing hazardous
4 chemicals together with additional information required by the
5 department for administering its functions related to EPCRA.

6 **§ 166A-64.3. Reporting; rules; fees.**

- 7 (1) Any person, owner, or operator of a facility required, under section 302
8 and/or section 312 of the Superfund Amendment and Reauthorization Act of
9 1986, Emergency Planning and Community Right to Know (EPCRA), to
10 submit a notification or an annual inventory form to the Department of
11 Public Safety, Division of Emergency Management, and shall be required to
12 pay an annual registration fee.
13 (2) The Division shall collect these fees to carry out the reporting functions
14 prescribed to the State in the Emergency Planning and Community
15 Right-to-Know Act (EPCRA), 42 U.S.C. § 116.
16 (3) The Division may adopt rules and administrative procedures reasonably
17 necessary to carry out the purposes of this section.
18 (4) The Division may authorize the collection of annual fees from facility
19 owners or operators for the filing of tier two forms and Toxic Chemical
20 Release Forms (Form R) required by EPCRA.
21 a. Facilities exempted by the Energy Policy Act of 2005 are subject to
22 the same reporting requirements and fee structure if they meet the
23 EPCRA thresholds.
24 b. These fees shall be used to fund the activities related to the storage
25 and maintenance of any databases used to collect and store the forms
26 and preparedness and mitigation activities required to ensure that
27 local, regional, and State responders are capable of responding to
28 chemical emergencies at these facilities.
29 (5) The fees for facilities will be based upon the following filing requirements
30 and must be paid annually:
31 a. A fee of fifty dollars (\$50.00) will be assessed for each substance
32 reported by a facility that is classified as a hazardous chemical.
33 b. A fee of ninety dollars (\$90.00) will be assessed for each substance
34 reported by a facility that is classified as an extremely hazardous
35 substance.
36 (6) The Division may impose a late fee for failure to submit a report or filing
37 that substantially complies with the requirements of EPCRA by the federal
38 filing deadline or for failure to pay any fee, including any late fee. This late
39 fee shall be in addition to the fee otherwise imposed pursuant to this section.
40 If the Division elects to impose a late fee, it shall provide the facility owner
41 or operator with a written notice that identifies the specific requirements,
42 which have not been met, and advice of its intent to assess a late fee. The
43 Division may impose a late fee subject to the limitations below:
44 a. If the report filing or fee is submitted within 30 days after receipt of
45 the Division's notice, no late fee may be assessed.
46 b. If the report filing or fee is not submitted within 30 days after receipt
47 of the Division's notice, the Division may impose a late fee in an
48 amount equal to the amount of the annual registration fee.

1 (7) Exemptions to Fees. –

2 (a) The owners or operators of family farm enterprises, facilities owned
3 by State and local governments, and nonprofit organizations shall be
4 exempt from payment of the required fees.

5 (b) Motor vehicle fuels at facilities which offer such fuels for retail sale
6 shall also be exempt from the reporting fees under this Chapter.
7 However, hazardous chemicals or extremely hazardous substances at
8 these facilities other than motor vehicle fuels for retail sale shall not
9 be exempt from the reporting fees.

10 **"§ 166A-64.4. Fee collection and management.**

11 (a) The fees herein authorized shall be assessed and collected annually based on
12 information required to be submitted under this Article covering the previous calendar year.

13 (b) The fees herein authorized shall be appropriated to the Division through the
14 Department primarily for the purpose of funding data collection and management activities
15 related to this Article. At the discretion of the Division, these fees may also be used to fund
16 local emergency planning committees and emergency response vehicles (including their
17 purchase, as well as maintenance and repairs) and related equipment and supplies and physical
18 examinations and medical screenings for volunteer fire service members of decontamination
19 teams. For the purposes of this section, the words "emergency response vehicles" include, but
20 are not limited to, vehicles such as decontamination units (both tow vehicle and trailer).

21 (c) Fee monies obtained under this Chapter shall remain available for the purposes of
22 this Article and shall not be subject to reversion.

23 (d) All local emergency planning committees and State agencies to be funded under this
24 Article shall submit to the Division for review and approval each year a budget worksheet for
25 the next fiscal year."

26
27 **CELL PHONES**

28 **SECTION 13A.5. G.S. 14-258.1 reads as rewritten:**

29 **"§ 14-258.1. Furnishing poison, controlled substances, deadly weapons, cartridges,**
30 **ammunition or alcoholic beverages to inmates of charitable, mental or penal**
31 **institutions or local confinement facilities; furnishing tobacco products or**
32 **mobile phones to inmates.**

33 (a) If any person shall give or sell to any inmate of any charitable, mental or penal
34 institution, or local confinement facility, or if any person shall combine, confederate, conspire,
35 aid, abet, solicit, urge, investigate, counsel, advise, encourage, attempt to procure, or procure
36 another or others to give or sell to any inmate of any charitable, mental or penal institution, or
37 local confinement facility, any deadly weapon, or any cartridge or ammunition for firearms of
38 any kind, or any controlled substances included in Schedules I through VI contained in Article
39 5 of Chapter 90 of the General Statutes except under the general supervision of a practitioner,
40 poison or poisonous substance, except upon the prescription of a physician, he shall be
41 punished as a Class H felon; and if he be an officer or employee of any institution of the State,
42 or of any local confinement facility, he shall be dismissed from his position or office.

43 (b) Any person who shall knowingly give or sell any alcoholic beverages to any inmate
44 of any State mental or penal institution, or to any inmate of any local confinement facility,
45 except for medical purposes as prescribed by a duly licensed physician and except for an
46 ordained minister or rabbi who gives sacramental wine to an inmate as part of a religious
47 service; or any person who shall combine, confederate, conspire, procure, or procure another or
48 others to give or sell any alcoholic beverages to any inmate of any such State institution or

1 local confinement facility, except for medical purposes as prescribed by a duly licensed
2 physician and except for an ordained minister or rabbi who gives sacramental wine to an
3 inmate as part of a religious service; or any person who shall bring into the buildings, grounds
4 or other facilities of such institution any alcoholic beverages, except for medical purposes as
5 prescribed by a duly licensed physician or sacramental wine brought by an ordained minister or
6 rabbi for use as part of a religious service, shall be guilty of a Class 1 misdemeanor. If such
7 person is an officer or employee of any institution of the State, such person shall be dismissed
8 from office.

9 (c) Any person who knowingly gives or sells any tobacco product, as defined in
10 G.S. 148-23.1, to an inmate in the custody of the Division of Adult Correction of the
11 Department of Public Safety and on the premises of a correctional facility or to an inmate in the
12 custody of a local confinement facility, or any person who knowingly gives or sells any tobacco
13 product to a person who is not an inmate for delivery to an inmate in the custody of the
14 Division of Adult Correction of the Department of Public Safety and on the premises of a
15 correctional facility or to an inmate in the custody of a local confinement facility, other than for
16 authorized religious purposes, is guilty of a Class 1 misdemeanor.

17 (d) Any person who knowingly gives or sells a mobile telephone or other wireless
18 communications device, or a component of one of those devices, to an inmate in the custody of
19 the Division of Adult Correction of the Department of Public Safety or to an inmate in the
20 custody of a local confinement facility, or any person who knowingly gives or sells any such
21 device or component to a person who is not an inmate for delivery to an inmate, is guilty of a
22 ~~Class 1 misdemeanor.~~Class F felony.

23 (e) Any inmate of a local confinement facility who possesses any tobacco product, as
24 defined in G.S. 148-23.1, other than for authorized religious purposes, ~~or who possesses a~~
25 ~~mobile telephone or other wireless communications device or a component of one of those~~
26 ~~devices,~~ is guilty of a Class 1 misdemeanor. Any inmate in the custody of the Division of Adult
27 Correction of the Department of Public Safety or an inmate of a local confinement facility who
28 possesses a mobile telephone or other wireless communication device or a component of one of
29 those devices is guilty of a Class F felony."

31 ASSAULT ON A GOVERNMENT OFFICIAL

32 SECTION 13A.6.(a) G.S. 14-16.6 reads as rewritten:

33 "§ 14-16.6 Assault on executive, legislative, or court officer.

34 (a) Any person who assaults any legislative officer, executive officer, or court officer,
35 or assaults another person as retaliation against any legislative officer, executive officer, or
36 court officer because of the exercise of that officer's duties, or any person who makes a violent
37 attack upon the residence, office, temporary accommodation or means of transport of any one
38 of those officers in a manner likely to endanger the officer, shall be guilty of a ~~felony and shall~~
39 ~~be punished as a Class I felon.~~Class E felony.

40 (b) Any person who commits an offense under subsection (a) and uses a deadly weapon
41 in the commission of that offense shall be ~~punished as a Class F felon.~~guilty of a Class D
42 felony.

43 (c) Any person who commits an offense under subsection (a) and inflicts serious bodily
44 injury to any legislative officer, executive officer, or court officer, shall be ~~punished as a Class~~
45 ~~F felon.~~guilty of a Class C felony."

46 SECTION 13A.6.(b) G.S. 14-16.7 reads as rewritten:

47 "§ 14-16.7. Threats against executive, legislative, or court officers.

1 (a) Any person who knowingly and willfully makes any threat to inflict serious bodily
 2 injury upon or to kill any legislative officer, executive officer, or court officer, or who
 3 knowingly and willfully makes any threat to inflict serious bodily injury upon or kill any other
 4 person as retaliation against any legislative officer, executive officer, or court officer because of
 5 the exercise of that officer's duties, shall be guilty of a felony and shall be punished as a Class I
 6 ~~felon.~~ Class F felony.

7 (b) Any person who knowingly and willfully deposits for conveyance in the mail any
 8 letter, writing, or other document ~~containing a threat to inflict serious bodily injury upon or to~~
 9 ~~kill any legislative officer, executive officer, or court officer, shall be guilty of a felony and~~
 10 containing a threat as proscribed in subsection (a) of this section shall be punished as a Class I
 11 ~~felon.~~ guilty of a Class F felony."

12
 13 **ENHANCE PUBLIC SAFETY THROUGH INCREASED DETERRENCE OF INMATE**
 14 **ACCESS TO CELL PHONES**

15 **SECTION 13A.7.(a)** In an effort to deter illegal access of cell phones by inmates
 16 in the State's prison system, the Department of Public Safety is encouraged to identify
 17 non-General Fund sources of funds, including federal and foundation grants and other receipts,
 18 to fund enhanced prison security technology.

19 **SECTION 13A.7.(b)** Should funds as described in subsection (a) of this section be
 20 awarded, the Department of Public Safety shall be exempt from the legislative consultation
 21 requirement set forth in Section 5.2(a) of S.L. 2013-360.

22
 23 **SUBPART XIII-B. DIVISION OF LAW ENFORCEMENT**

24
 25 **ALCOHOL LAW ENFORCEMENT/EXAMINE MISSION AND OPERATIONS**

26 **SECTION 13B.1.** The Department of Public Safety shall conduct a comprehensive
 27 review of the mission, statutory responsibilities, and operational activities of Alcohol Law
 28 Enforcement (ALE) and shall report its findings and recommendations to the House of
 29 Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate
 30 Appropriations Committee on Justice and Public Safety no later than Feb. 15, 2015.

31 (a) The written report shall include, but is not limited to, the following:

- 32 (1) A description of the services provided by Alcohol Law Enforcement and its
- 33 mission, goals, and objectives.
- 34 (2) Staffing requirements at the ALE central office and district offices needed to
- 35 carry out ALE's statutory responsibilities.
- 36 (3) Functions or programs performed by ALE without specific statutory
- 37 authority, and whether any of those activities are duplicative of any other
- 38 law enforcement entity.
- 39 (4) Performance measures and the process by which the performance measures
- 40 determine efficiency and effectiveness.
- 41 (5) Recommendations for statutory, budgetary, or administrative changes
- 42 needed to improve efficiency and effectiveness of services delivered to the
- 43 public.
- 44

45 **SHP EXPERIENCE AND EDUCATION CREDIT**

46 **SECTION 13B.2.** G.S. 20-187.3 reads as rewritten:

47 **"§ 20-187.3. Quotas prohibited.**

1 (a) The Secretary of Public Safety shall not make or permit to be made any order, rule,
2 or regulation requiring the issuance of any minimum number of traffic citations, or ticket
3 quotas, by any member or members of the State Highway Patrol. Pay and promotions of
4 members of the Highway Patrol shall be based on their overall job performance and not on the
5 basis of the volume of citations issued or arrests made. Members of the Highway Patrol shall be
6 subject to salary classes, ranges and longevity pay for service as are applicable to other State
7 employees generally. Beginning July 1, 1985, and annually thereafter, each member of the
8 Highway Patrol shall be granted a salary increase in an amount corresponding to the increments
9 between steps within the salary range established for the class to which the member's position
10 is assigned by the State Personnel Commission, not to exceed the maximum of each applicable
11 salary range.

12 (b) The Secretary of Public Safety, subject to the availability of funds as authorized by
13 the Director of the Budget, may place a member of the State Highway Patrol in any step in the
14 salary range for the class to which the member is assigned based on the member's rank so that
15 no member is in a step lower than others of the same rank who have held that rank for less time
16 than that member.

17 (c) Notwithstanding any other provision of law, the Secretary of Public Safety is
18 authorized to grant law enforcement experience and education credit for salary administration
19 purposes for prospective members of the State Highway Patrol who have prior law enforcement
20 or military experience."

21 STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS

22 **SECTION 13B.3.** The State Capitol Police may contract with State agencies for
23 the creation of receipt-supported positions to provide security services to the buildings
24 occupied by those agencies.
25

26 ENACT NC GOVERNMENT EFFICIENCY AND REFORM (NC GEAR) 27 RECOMMENDATION TO TRANSFER THE ANIMAL WELFARE SECTION AND 28 THE SPAY/NEUTER PROGRAM FROM THE DEPARTMENT OF AGRICULTURE 29 AND CONSUMER SERVICES TO THE DEPARTMENT OF PUBLIC SAFETY; AND 30 AMEND DEFINITION OF ANIMAL DEALER

31 **SECTION 13B.4.(a)** The Animal Welfare Section, as established by G.S. 19A-22
32 and other applicable laws of this State, is hereby transferred to the Department of Public Safety.
33 This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.
34

35 **SECTION 13B.4.(b)** The Spay/Neuter Program, as established in G.S. 19A-61 and
36 the Spay/Neuter Account, as established in G.S. 19A-62, are transferred to the Department of
37 Public Safety. Any unexpended funds in the Account at the end of the 2013-2014 fiscal year
38 shall be transferred to the Department of Public Safety.

39 **SECTION 13B.4.(c)** The Animal Welfare Act, Article 3 of Chapter 19A of the
40 General Statutes, is amended as follows:

41 "Article 3.

42 "Animal Welfare Act.

43 "§ 19A-20. Title of Article.

44 This Article may be cited as the Animal Welfare Act.

45 "§ 19A-21. Purposes.

46 The purposes of this Article are (i) to protect the owners of dogs and cats from the theft of
47 such pets; (ii) to prevent the sale or use of stolen pets; (iii) to insure that animals, as items of
48 commerce, are provided humane care and treatment by regulating the transportation, sale,

1 purchase, housing, care, handling and treatment of such animals by persons or organizations
2 engaged in transporting, buying, or selling them for such use; (iv) to insure that animals
3 confined in pet shops, kennels, animal shelters and auction markets are provided humane care
4 and treatment; (v) to prohibit the sale, trade or adoption of those animals which show physical
5 signs of infection, communicable disease, or congenital abnormalities, unless veterinary care is
6 assured subsequent to sale, trade or adoption.

7 **"§ 19A-22. Animal Welfare Section in ~~Animal Health Division of Department of~~**
8 **~~Agriculture and Consumer Services~~Law Enforcement Division of the**
9 **~~Department of Public Safety~~ created; Director.**

10 There is hereby created within the ~~Animal Health Division of the North Carolina~~
11 ~~Department of Agriculture and Consumer Services~~,Law Enforcement Division of the
12 ~~Department of Public Safety~~, a new section thereof, to be known as the Animal Welfare
13 Section of said division.

14 The ~~Commissioner of Agriculture~~Secretary of the Department of Public Safety is hereby
15 authorized to appoint a Director of said section whose duties and authority shall be determined
16 by the ~~Commissioner~~subject to the approval of the Department of Public Safety and subject to
17 ~~the provisions of this Article~~.Secretary.

18 **"§ 19A-23. Definitions.**

19 For the purposes of this Article, the following terms, when used in the Article or the rules
20 or orders made pursuant thereto, shall be construed respectively to mean:

- 21 (1) "Adequate feed" means the provision at suitable intervals, not to exceed 24
22 hours, of a quantity of wholesome foodstuff suitable for the species and age,
23 sufficient to maintain a reasonable level of nutrition in each animal. Such
24 foodstuff shall be served in a sanitized receptacle, dish, or container.
- 25 (2) "Adequate water" means a constant access to a supply of clean, fresh,
26 potable water provided in a sanitary manner or provided at suitable intervals
27 for the species and not to exceed 24 hours at any interval.
- 28 (3) "Ambient temperature" means the temperature surrounding the animal.
- 29 (4) "Animal" means any domestic dog (*Canis familiaris*), or domestic cat (*Felis*
30 *domestica*).
- 31 (5) "Animal shelter" means a facility which is used to house or contain seized,
32 stray, homeless, quarantined, abandoned or unwanted animals and which is
33 under contract with, owned, operated, or maintained by a county, city, town,
34 or other municipality, or by a duly incorporated humane society, animal
35 welfare society, society for the prevention of cruelty to animals, or other
36 nonprofit organization devoted to the welfare, protection, rehabilitation, or
37 humane treatment of animals.
- 38 (5a) "Approved foster care provider" means an individual, nonprofit corporation,
39 or association that cares for stray animals that has been favorably assessed
40 by the operator of the animal shelter through the application of written
41 standards.
- 42 (5b) "Approved rescue organization" means a nonprofit corporation or
43 association that cares for stray animals that has been favorably assessed by
44 the operator of the animal shelter through the application of written
45 standards.
- 46 (5c) "Boarding kennel" means a facility or establishment which regularly offers
47 to the public the service of boarding dogs or cats or both for a fee. Such a

- 1 facility or establishment may, in addition to providing shelter, food and
2 water, offer grooming or other services for dogs and/or cats.
- 3 (6) ~~"Commissioner"~~"Secretary" means the ~~Commissioner of Agriculture of the~~
4 ~~State of North Carolina~~ Secretary of the Department of Public Safety.
- 5 (7) "Dealer" means any person who sells, exchanges, or donates, or offers to
6 sell, exchange, or donate animals to another dealer, pet shop, or research
7 facility; ~~provided, however, that an individual who breeds and raises on his~~
8 ~~own premises no more than the offspring of five canine or feline females per~~
9 ~~year, unless bred and raised specifically for research purposes shall not be~~
10 ~~considered to be a dealer for the purposes of this Article.~~facility or any
11 person residing in a household that collectively maintains a total of more
12 than nine mature intact female animals, regardless of ownership, or any
13 person maintaining mature intact female animals on premises on which more
14 than nine mature intact female animals are maintained, or any person acting
15 in concert with others where they collectively maintain a total of more than
16 nine mature intact female animals regardless of ownership. (Effective July 1,
17 2015)
- 18 (8) "Director" means the Director of the Animal Welfare Section of the ~~Animal~~
19 ~~Health Division of the Department of Agriculture and Consumer Services~~
20 Law Enforcement Division of the Department of Public Safety.
- 21 (9) "Euthanasia" means the humane destruction of an animal accomplished by a
22 method that involves rapid unconsciousness and immediate death or by a
23 method that involves anesthesia, produced by an agent which causes painless
24 loss of consciousness, and death during such loss of consciousness.
- 25 (10) "Housing facility" means any room, building, or area used to contain a
26 primary enclosure or enclosures.
- 27 (11) "Person" means any individual, partnership, firm, joint-stock company,
28 corporation, association, trust, estate, or other legal entity.
- 29 (12) "Pet shop" means a person or establishment that acquires for the purposes of
30 resale animals bred by others whether as owner, agent, or on consignment,
31 and that sells, trades or offers to sell or trade such animals to the general
32 public at retail or wholesale.
- 33 (13) "Primary enclosure" means any structure used to immediately restrict an
34 animal or animals to a limited amount of space, such as a room, pen, cage
35 compartment or hutch.
- 36 (14) "Public auction" means any place or location where dogs or cats are sold at
37 auction to the highest bidder regardless of whether such dogs or cats are
38 offered as individuals, as a group, or by weight.
- 39 (15) "Research facility" means any place, laboratory, or institution at which
40 scientific tests, experiments, or investigations involving the use of living
41 animals are carried out, conducted, or attempted.
- 42 (16) "Sanitize" means to make physically clean and to remove and destroy to a
43 practical minimum, agents injurious to health.

44 **"§ 19A-24. Powers of Department of Public Safety.**

45 (a) The Department of Public Safety shall:

- 46 (1) Establish standards for the care of animals at animal shelters, boarding
47 kennels, pet shops, and public auctions. A boarding kennel that offers dog
48 day care services and has a ratio of dogs to employees or supervisors, or

- 1 both employees and supervisors, of not more than 10 to one, shall not as to
2 such services be subject to any regulations that restrict the number of dogs
3 that are permitted within any primary enclosure.
- 4 (2) Prescribe the manner in which animals may be transported to and from
5 registered or licensed premises.
- 6 (3) Require licensees and holders of certificates to keep records of the purchase
7 and sale of animals and to identify animals at their establishments.
- 8 (4) Adopt rules to implement this Article, including federal regulations
9 promulgated under Title 7, Chapter 54, of the United States Code.
- 10 (5) Adopt rules on the euthanasia of animals in the possession or custody of any
11 person required to obtain a certificate of registration under this Article. An
12 animal shall only be put to death by a method and delivery of method
13 approved by the American Veterinary Medical Association, the Humane
14 Society of the United States, or the American Humane Association. The
15 Department shall establish rules for the euthanasia process using any one or
16 combination of methods and standards prescribed by the three
17 aforementioned organizations. The rules shall address the equipment, the
18 process, and the separation of animals, in addition to the animals' age and
19 condition. If the gas method of euthanasia is approved, rules shall require (i)
20 that only commercially compressed carbon monoxide gas is approved for
21 use, and (ii) that the gas must be delivered in a commercially manufactured
22 chamber that allows for the individual separation of animals. Rules shall also
23 mandate training for any person who participates in the euthanasia process.
- 24 (b) In addition to rules on the euthanasia of animals adopted pursuant to subdivision (5)
25 of subsection (a) of this section, the Department of Public Safety shall adopt rules for the
26 certification of euthanasia technicians. The rules may provide for:
- 27 (1) Written and practical examinations for persons who perform euthanasia.
- 28 (2) Issuance of certification to persons who have successfully completed both
29 training and examinations to become a euthanasia technician.
- 30 (3) Recertification of euthanasia technicians on a periodic basis.
- 31 (4) Standards and procedures for the approval of persons who conduct training
32 of euthanasia technicians.
- 33 (5) Approval of materials for use in euthanasia technician training.
- 34 (6) Minimum certification criteria for persons seeking to become euthanasia
35 technicians including, but not limited to: age; previous related experience;
36 criminal record; and other qualifications that are related to an applicant's
37 fitness to perform euthanasia.
- 38 (7) Denial, suspension, or revocation of certification of euthanasia technicians
39 who:
- 40 a. Violate any provision of this Article or rules adopted pursuant to this
41 Article;
- 42 b. Have been convicted of or entered a plea of guilty or nolo contendere
43 to:
- 44 1. Any felony;
- 45 2. Any misdemeanor or infraction involving animal abuse or
46 neglect; or

- 1 3. Any other offense related to animal euthanasia, the duties or
2 responsibilities of a euthanasia technician, or a euthanasia
3 technician's fitness for certification;
- 4 c. Make any false statement, give false information, or omit material
5 information in connection with an application for certification or for
6 renewal or reinstatement of certification as a euthanasia technician;
7 or
- 8 d. Otherwise are or become ineligible for certification.
- 9 (8) Provision of the names of persons who perform euthanasia at animal shelters
10 and for the animal shelter to notify the Department when those persons are
11 no longer affiliated, employed, or serving as a volunteer with the shelter.
- 12 (9) Certified euthanasia technicians to notify the Department when they are no
13 longer employed by or are serving as a volunteer at an animal shelter.
- 14 (10) The duties, responsibilities, and standards of conduct for certified euthanasia
15 technicians.
- 16 (c) Regardless of the extent to which the Board exercises its authority under subsection
17 (b) of this section, the Department may deny, revoke, or suspend the certification of a
18 euthanasia technician who has been convicted of or entered a plea of guilty or nolo contendere
19 to a felony involving the illegal use, possession, sale, manufacture, distribution, or
20 transportation of a controlled substance, drug, or narcotic.

21 (d) Persons seeking certification as euthanasia technicians, or a renewal of such
22 certification, shall provide the Department a fingerprint card in a format acceptable to the
23 Department, a form signed by the person consenting to a criminal record check and the use of
24 the person's fingerprints, and such other identifying information as may be required by the State
25 or national data banks. The Department may deny certification to persons who refuse to
26 provide the fingerprint card or consent to the criminal background check. Fees required by the
27 Department of Justice for conducting the criminal background check shall be collected by the
28 Department and remitted to the Department of Justice along with the fingerprint card and
29 consent form.

30 **"§ 19A-25. Employees; investigations; right of entry.**

31 For the enforcement of the provisions of this Article, the Director is authorized, subject to
32 the approval of the ~~Commissioner~~Secretary to appoint employees as are necessary in order to
33 carry out and enforce the provisions of this Article, ~~and to assign them interchangeably with~~
34 ~~other employees of the Animal Health Division.~~Article. The Director shall cause the
35 investigation of all reports of violations of the provisions of this Article, and the rules adopted
36 pursuant to the provisions hereof; provided further, that if any person shall deny the Director or
37 his representative admittance to his property, either person shall be entitled to secure from any
38 superior court judge a court order granting such admittance.

39 **"§ 19A-26. Certificate of registration required for animal shelter.**

40 No person shall operate an animal shelter unless a certificate of registration for such animal
41 shelter shall have been granted by the Director. Application for such certificate shall be made in
42 the manner provided by the Director. No fee shall be required for such application or
43 certificate. Certificates of registration shall be valid for a period of one year or until suspended
44 or revoked and may be renewed for like periods upon application in the manner provided.

45 **"§ 19A-27. License required for operation of pet shop.**

46 No person shall operate a pet shop unless a license to operate such establishment shall have
47 been granted by the Director. Application for such license shall be made in the manner
48 provided by the Director. The license shall be for the fiscal year and the license fee shall be

1 seventy-five dollars (\$75.00) for each license period or part thereof beginning with the first day
2 of the fiscal year.

3 **"§ 19A-28. License required for public auction or boarding kennel.**

4 No person shall operate a public auction or a boarding kennel unless a license to operate
5 such establishment shall have been granted by the Director. Application for such license shall
6 be made in the manner provided by the Director. The license period shall be the fiscal year and
7 the license fee shall be seventy-five dollars (\$75.00) for each license period or part thereof
8 beginning with the first day of the fiscal year.

9 **"§ 19A-29. License required for dealer.**

10 No person shall be a dealer unless a license to deal shall have been granted by the Director
11 to such person. Application for such license shall be in the manner provided by the Director.
12 The license period shall be the fiscal year and the license fee shall be seventy-five dollars
13 (\$75.00) for each license period or part thereof, beginning with the first day of the fiscal year.

14 **"§ 19A-30. Refusal, suspension or revocation of certificate or license.**

15 The Director may refuse to issue or renew or may suspend or revoke a certificate of
16 registration for any animal shelter or a license for any public auction, kennel, pet shop, or
17 dealer, if after an impartial investigation as provided in this Article he determines that any one
18 or more of the following grounds apply:

- 19 (1) Material misstatement in the application for the original certificate of
20 registration or license or in the application for any renewal under this
21 Article;
- 22 (2) Willful disregard or violation of this Article or any rules issued pursuant
23 thereto;
- 24 (3) Failure to provide adequate housing facilities and/or primary enclosures for
25 the purposes of this Article, or if the feeding, watering, sanitizing and
26 housing practices at the animal shelter, public auction, pet shop, or kennel
27 are not consistent with the intent of this Article or the rules adopted under
28 this Article;
- 29 (4) Allowing one's license under this Article to be used by an unlicensed person;
- 30 (5) Conviction of any crime an essential element of which is misstatement,
31 fraud, or dishonesty, or conviction of any felony;
- 32 (6) Making substantial misrepresentations or false promises of a character likely
33 to influence, persuade, or induce in connection with the business of a public
34 auction, commercial kennel, pet shop, or dealer;
- 35 (7) Pursuing a continued course of misrepresentation of or making false
36 promises through advertising, salesmen, agents, or otherwise in connection
37 with the business to be licensed;
- 38 (8) Failure to possess the necessary qualifications or to meet the requirements of
39 this Article for the issuance or holding of a certificate of registration or
40 license.

41 The Director shall, before refusing to issue or renew and before suspension or revocation of
42 a certificate of registration or a license, give to the applicant or holder thereof a written notice
43 containing a statement indicating in what respects the applicant or holder has failed to satisfy
44 the requirements for the holding of a certificate of registration or a license. If a certificate of
45 registration or a license is suspended or revoked under the provisions hereof, the holder shall
46 have five days from such suspension or revocation to surrender all certificates of registration or
47 licenses issued thereunder to the Director or his authorized representative.

1 A person to whom a certificate of registration or a license is denied, suspended, or revoked
2 by the Director may contest the action by filing a petition under G.S. 150B-23 within five days
3 after the denial, suspension, or revocation.

4 Any licensee whose license is revoked under the provisions of this Article shall not be
5 eligible to apply for a new license hereunder until one year has elapsed from the date of the
6 order revoking said license or if an appeal is taken from said order of revocation, one year from
7 the date of the order or final judgment sustaining said revocation. Any person who has been an
8 officer, agent, or employee of a licensee whose license has been revoked or suspended and who
9 is responsible for or participated in the violation upon which the order of suspension or
10 revocation was based, shall not be licensed within the period during which the order of
11 suspension or revocation is in effect.

12 **"§ 19A-31. License not transferable; change in management, etc., of business or**
13 **operation.**

14 A license is not transferable. When there is a transfer of ownership, management, or
15 operation of a business of a licensee hereunder, the new owner, manager, or operator, as the
16 case may be, whether it be an individual, firm, partnership, corporation, or other entity shall
17 have 10 days from such sale or transfer to secure a new license from the Director to operate
18 said business. A licensee shall promptly notify the Director of any change in the name, address,
19 management, or substantial control of his business or operation.

20 **"§ 19A-32. Procedure for review of Director's decisions.**

21 A denial, suspension, or revocation of a certificate or license under this Article shall be
22 made in accordance with Chapter 150B of the General Statutes.

23 **"§ 19A-32.1. Minimum holding period for animals in animal shelters; public viewing of**
24 **animals in animal shelters; disposition of animals.**

25 (a) Except as otherwise provided in this section, all animals received by an animal
26 shelter or by an agent of an animal shelter shall be held for a minimum holding period of 72
27 hours, or for any longer minimum period established by a board of county commissioners, prior
28 to being euthanized or otherwise disposed of.

29 (b) Before an animal may be euthanized or otherwise disposed of, it shall be made
30 available for adoption under procedures that enable members of the public to inspect the
31 animal, except in the following cases:

- 32 (1) The animal has been found by the operator of the shelter to be unadoptable
33 due to injury or defects of health or temperament.
- 34 (2) The animal is seriously ill or injured, in which case the animal may be
35 euthanized before the expiration of the minimum holding period if the
36 manager of the animal shelter determines, in writing, that it is appropriate to
37 do so. The writing shall include the reason for the determination.
- 38 (3) The animal is being held as evidence in a pending criminal case.

39 (c) Except as otherwise provided in this subsection, a person who comes to an animal
40 shelter attempting to locate a lost pet is entitled to view every animal held at the shelter, subject
41 to rules providing for such viewing during at least four hours a day, three days a week. If the
42 shelter is housing animals that must be kept apart from the general public for health reasons,
43 public safety concerns, or in order to preserve evidence for criminal proceedings, the shelter
44 shall make reasonable arrangements that allow pet owners to determine whether their lost pets
45 are among those animals.

46 (d) During the minimum holding period, an animal shelter may place an animal it is
47 holding into foster care by transferring possession of the animal to an approved foster care
48 provider, an approved rescue organization, or the person who found the animal. If an animal

1 shelter transfers possession of an animal under this subsection, at least one photograph
2 depicting the head and face of the animal shall be displayed at the shelter in a conspicuous
3 location that is available to the general public during hours of operation, and that photograph
4 shall remain posted until the animal is disposed of as provided in subsection (f) of this section.

5 (e) If a shelter places an animal in foster care, the shelter may, in writing, appoint the
6 person or organization possessing the animal to be an agent of the shelter. After the expiration
7 of the minimum holding period, the shelter may (i) direct the agent possessing the animal to
8 return it to the shelter, (ii) allow the agent to adopt the animal consistent with the shelter's
9 adoption policies, or (iii) extend the period of time that the agent holds the animal on behalf of
10 the shelter. A shelter may terminate an agency created under this subsection at any time by
11 directing the agent to deliver the animal to the shelter. The local government or organization
12 operating the shelter, as principal in the agency relationship, shall not be liable to reimburse the
13 agent for the costs of care of the animal and shall not be liable to the owner of the animal for
14 harm to the animal caused by the agent, absent a written contract providing otherwise.

15 (f) An animal that is surrendered to an animal shelter by the animal's owner and not
16 reclaimed by that owner during the minimum holding period may be disposed of in one of the
17 following manners:

18 (1) Returned to the owner.

19 (2) Adopted as a pet by a new owner.

20 (3) Euthanized by a procedure approved by rules adopted by the ~~Department of~~
21 ~~Agriculture and Consumer Services~~Department of Public Safety or, in the
22 absence of such rules, by a procedure approved by the American Veterinary
23 Medical Association, the Humane Society of the United States, or the
24 American Humane Association.

25 (g) An animal that is surrendered to an animal shelter by the animal's owner may be
26 disposed of before the expiration of the minimum holding period in a manner authorized under
27 subsection (f) of this section if the owner provides to the shelter (i) some proof of ownership of
28 the animal and (ii) a signed written consent to the disposition of the animal before the
29 expiration of the minimum holding period.

30 (h) If the owner of a dog surrenders the dog to an animal shelter, the owner shall state in
31 writing whether the dog has bitten any individual within the 10 days preceding the date of
32 surrender.

33 (i) An animal shelter shall require every person to whom an animal is released to
34 present one of the following valid forms of government-issued photographic identification: (i) a
35 drivers license, (ii) a special identification card issued under G.S. 20-37.7, (iii) a military
36 identification card, or (iv) a passport. Upon presentation of the required photographic
37 identification, the shelter shall document the name of the person, the type of photographic
38 identification presented by the person, and the photographic identification number.

39 (j) Animal shelters shall maintain a record of all animals impounded at the shelter, shall
40 retain those records for a period of at least three years from the date of impoundment, and shall
41 make those records available for inspection during regular inspections pursuant to this Article
42 or upon the request of a representative of the Animal Welfare Section. These records shall
43 contain, at a minimum:

44 (1) The date of impoundment.

45 (2) The length of impoundment.

46 (3) The disposition of each animal, including the name and address of any
47 person to whom the animal is released, any institution that person represents,
48 and the identifying information required under subsection (i) of this section.

(4) Other information required by rules adopted by the ~~Board of Agriculture.~~
Department of Public Safety.

"§ 19A-33. Penalty for operation of pet shop, kennel or auction without license.

Operation of a pet shop, kennel, or public auction without a currently valid license shall constitute a Class 3 misdemeanor subject only to a penalty of not less than five dollars (\$5.00) nor more than twenty-five dollars (\$25.00), and each day of operation shall constitute a separate offense.

"§ 19A-34. Penalty for acting as dealer without license; disposition of animals in custody of unlicensed dealer.

Acting as a dealer in animals as defined in this Article without a currently valid dealer's license shall constitute a Class 2 misdemeanor. Continued illegal operation after conviction shall constitute a separate offense. Animals found in possession or custody of an unlicensed dealer shall be subject to immediate seizure and impoundment and upon conviction of such unlicensed dealer shall become subject to sale or euthanasia in the discretion of the Director.

"§ 19A-35. Penalty for failure to adequately care for animals; disposition of animals.

Failure of any person licensed or registered under this Article to adequately house, feed, and water animals in his possession or custody shall constitute a Class 3 misdemeanor, and such person shall be subject to a fine of not less than five dollars (\$5.00) per animal or more than a total of one thousand dollars (\$1,000). Such animals shall be subject to seizure and impoundment and upon conviction may be sold or euthanized at the discretion of the Director and such failure shall also constitute grounds for revocation of license after public hearing.

"§ 19A-36. Penalty for violation of Article by dog warden.

Violation of any provision of this Article which relates to the seizing, impoundment, and custody of an animal by a dog warden shall constitute a Class 3 misdemeanor and the person convicted thereof shall be subject to a fine of not less than fifty dollars (\$50.00) and not more than one hundred dollars (\$100.00), and each animal handled in violation shall constitute a separate offense.

"§ 19A-37. Application of Article.

This Article shall not apply to a place or establishment which is operated under the immediate supervision of a duly licensed veterinarian as a hospital where animals are harbored, boarded, and cared for incidental to the treatment, prevention, or alleviation of disease processes during the routine practice of the profession of veterinary medicine. This Article shall not apply to any dealer, pet shop, public auction, commercial kennel or research facility during the period such dealer or research facility is in the possession of a valid license or registration granted by the Secretary of Agriculture pursuant to Title 7, Chapter 54, of the United States Code. This Article shall not apply to any individual who occasionally boards an animal on a noncommercial basis, although such individual may receive nominal sums to cover the cost of such boarding.

"§ 19A-38. Use of license fees.

All license fees collected shall be used in enforcing and administering this Article.

"§ 19A-39. Article inapplicable to establishments for training hunting dogs.

Nothing in this Article shall apply to those kennels or establishments operated primarily for the purpose of boarding or training hunting dogs.

"§ 19A-40. Civil Penalties.

The Director may assess a civil penalty of not more than five thousand dollars (\$5,000) against any person who violates a provision of this Article or any rule promulgated thereunder. In determining the amount of the penalty, the Director shall consider the degree and extent of harm caused by the violation. The clear proceeds of civil penalties assessed pursuant to this

1 section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with
2 G.S. 115C-457.2.

3 **"§ 19A-41. Legal representation by the Attorney General.**

4 It shall be the duty of the Attorney General to represent the ~~Commissioner of Agriculture~~
5 ~~and the Department of Agriculture and Consumer Services~~ Secretary of the Department of
6 Public Safety, or to designate some member of his staff to represent the
7 ~~Commissioner~~ Secretary and the Department, in all actions or proceedings in connection with
8 this Article."

9 **SECTION 13B.4.(d)** Article 5 of Chapter 19A of the General Statutes reads as
10 rewritten:

11 "Article 5.

12 "Spay/Neuter Program.

13 **"§ 19A-60. Legislative findings.**

14 The General Assembly finds that the uncontrolled breeding of cats and dogs in the State has
15 led to unacceptable numbers of unwanted dogs, puppies and cats and kittens. These unwanted
16 animals become strays and constitute a public nuisance and a public health hazard. The animals
17 themselves suffer privation and death, are impounded, and most are destroyed at great expense
18 to local governments. It is the intention of the General Assembly to provide a voluntary means
19 of funding a spay/neuter program to provide financial assistance to local governments offering
20 low-income persons reduced-cost spay/neuter services for their dogs and cats and to provide a
21 statewide education program on the benefits of spaying and neutering pets.

22 **"§ 19A-61. Spay/Neuter Program established.**

23 There is established in the ~~Department of Agriculture and Consumer Services~~ Department of
24 Public Safety a voluntary statewide program to foster the spaying and neutering of dogs and
25 cats for the purpose of reducing the population of unwanted animals in the State. The program
26 shall consist of the following components:

- 27 (1) Education Program. – The Department shall establish a statewide program to
28 educate the public about the benefits of having cats and dogs spayed and
29 neutered. The Department may work cooperatively on the program with the
30 North Carolina School of Veterinary Medicine, other State agencies and
31 departments, county and city health departments and animal control
32 agencies, and statewide and local humane organizations. The Department
33 may employ outside consultants to assist with the education program.
- 34 (2) Local Spay/Neuter Assistance Program. – The Department shall administer
35 the Spay/Neuter Account established in G.S. 19A-62. Monies deposited in
36 the account shall be available to reimburse eligible counties and cities for the
37 direct costs of spay/neuter surgeries for cats and dogs made available to
38 low-income persons.

39 **"§ 19A-62. Spay/Neuter Account established.**

40 (a) Creation. – The Spay/Neuter Account is established as a nonreverting special
41 revenue account in the ~~Department of Agriculture and Consumer Services~~ Department of
42 Public Safety. The Account consists of the following:

- 43 (1) Repealed by Session Laws 2010-31, s. 11.4(c), effective October 1, 2010.
- 44 (2) Twenty dollars (\$20.00) of the additional fee imposed by G.S. 20-79.7 for an
45 Animal Lovers special license plate.
- 46 (3) Any other funds available from appropriations by the General Assembly or
47 from contributions and grants from public or private sources.

1 (b) Use. – The revenue in the Account shall be used by the ~~Department of Agriculture~~
2 ~~and Consumer Services~~ Department of Public Safety as follows:

3 (1) Repealed by Session Laws 2010-31, s. 11.4(c), effective October 1, 2010.

4 (2) Up to twenty percent (20%) may be used to develop and implement the
5 statewide education program component of the Spay/Neuter Program
6 established in G.S. 19A-61(1).

7 (3) Up to twenty percent (20%) of the money in the Account may be used to
8 defray the costs of administering the Spay/Neuter Program established in
9 this Article.

10 (4) Funds remaining after deductions for the education program and
11 administrative expenses shall be distributed quarterly to eligible counties and
12 cities seeking reimbursement for reduced-cost spay/neuter surgeries
13 performed during the previous calendar year. A county or city is ineligible to
14 receive funds under this subdivision unless it requires the owner to show
15 proof of rabies vaccination at the time of the procedure or, if none, require
16 vaccination at the time of the procedure.

17 (c) Report. – In February of each year, the Department must report to the Joint
18 Legislative Commission on Governmental Operations and the Fiscal Research Division. The
19 report must contain information regarding all revenues and expenditures of the Spay/Neuter
20 Account.

21 **"§ 19A-63. Eligibility for distributions from Spay/Neuter Account.**

22 (a) A county or city is eligible for reimbursement from the Spay/Neuter Account if it
23 meets the following condition:

24 (1) The county or city offers one or more of the following programs to
25 low-income persons on a year-round basis for the purpose of reducing the
26 cost of spaying and neutering procedures for dogs and cats:

27 a. A spay/neuter clinic operated by the county or city.

28 b. A spay/neuter clinic operated by a private organization under
29 contract or other arrangement with the county or city.

30 c. A contract or contracts with one or more veterinarians, whether or
31 not located within the county, to provide reduced-cost spaying and
32 neutering procedures.

33 d. Subvention of the spaying and neutering costs incurred by
34 low-income pet owners through the use of vouchers or other
35 procedure that provides a discount of the cost of the spaying or
36 neutering procedure fixed by a participating veterinarian or other
37 provider.

38 e. Subvention of the spaying and neutering costs incurred by persons
39 who adopt a pet from an animal shelter operated by or under contract
40 with the county or city.

41 (2) Reserved for future codification purposes.

42 (b) For purposes of this Article, the term "low-income person" shall mean an individual
43 who qualifies for one or more of the programs of public assistance administered by the
44 Department of Health and Human Services pursuant to Chapter 108A of the General Statutes or
45 whose annual household income is under three hundred percent (300%) of the federal poverty
46 level guidelines published by the United States Department of Health and Human Services.

47 (c) Each county shall make rules or publish guidelines that designate what proof a
48 low-income person must submit to establish that the person qualifies for public assistance

1 under subsection (b) of this section or has an annual household income lower than three
2 hundred percent (300%) of the federal poverty level guidelines published by the United States
3 Department of Health and Human Services.(2000-163, s. 1; 2010-31, s. 11.4(d).)

4 **"§ 19A-64. Distributions to counties and cities from Spay/Neuter Account.**

5 (a) Reimbursable Costs. – Counties and cities eligible for distributions from the
6 Spay/Neuter Account may receive reimbursement for the direct costs of a spay/neuter surgical
7 procedure for a dog or cat owned by a low-income person as defined in G.S. 19A-63(b).
8 Reimbursable costs shall include anesthesia, medication, and veterinary services. Counties and
9 cities shall not be reimbursed for the administrative costs of providing reduced-cost spay/neuter
10 services or capital expenditures for facilities and equipment associated with the provision of
11 such services. The reimbursement amount for each surgical procedure for a female dog or cat
12 shall be no more than one hundred fifty percent (150%) of the average reimbursement allowed
13 for surgical procedures for female dogs and cats by the Spay/Neuter Program during the prior
14 calendar year. The reimbursement amount for each surgical procedure for a male dog or cat
15 shall be no more than one hundred fifty percent (150%) of the average reimbursement allowed
16 for surgical procedures for male dogs and cats by the Spay/Neuter Program during the prior
17 calendar year.

18 (b) Application. – A county or city eligible for reimbursement of spaying and neutering
19 costs from the Spay/Neuter Account shall apply to the ~~Department of Agriculture and~~
20 ~~Consumer Services~~Department of Public Safety by the last day of January, April, July, and
21 October of each year to receive a distribution from the Account for that quarter. The application
22 shall be submitted in the form required by the Department and shall include an itemized listing
23 of the costs for which reimbursement is sought.

24 (c) Distribution. – The Department shall make payments from the Spay/Neuter Account
25 to eligible counties and cities who have made timely application for reimbursement within 30
26 days of the closing date for receipt of applications for that quarter. In the event that total
27 requests for reimbursement exceed the amounts available in the Spay/neuter Account for
28 distribution, the monies available will be distributed as follows:

- 29 (1) Fifty percent (50%) of the monies available in the Spay/Neuter Account
30 shall be reserved for reimbursement for eligible applicants within
31 development tier one areas as defined in G.S. 143B-437.08. The remaining
32 fifty percent (50%) of the funds shall be used to fund reimbursement
33 requests from eligible applicants in development tier two and three areas as
34 defined in G.S. 143B-437.08.
- 35 (2) Among the eligible counties and cities in development tier one areas,
36 reimbursement shall be made to each eligible county or city in the proportion
37 that the rate of spays and neuters per one thousand persons in that city or
38 county compares to the total rate of spays and neuters per one thousand
39 persons within the total tier one area. Population data shall be obtained from
40 the most recent decennial census.
- 41 (3) Among the eligible counties and cities in development tier two and three
42 areas, reimbursement shall be made to each eligible county or city in the
43 proportion that the rate of spays and neuters per one thousand persons in that
44 city or county compares to the total rate of spays and neuters per one
45 thousand persons within the total tier two and three area. Population data
46 shall be obtained from the most recent decennial census.
- 47 (4) Should funds remain available from the fifty percent (50%) of the
48 Spay/Neuter Account designated for development tier one areas after

1 reimbursement of all claims by eligible applicants in those areas, the
2 remaining funds shall be made available to reimburse eligible applicants in
3 development tier two and three areas.

4 **"§ 19A-65. Annual Report Required From Every Animal Shelter in Receipt of State or**
5 **Local Funding.**

6 Every county or city animal shelter, or animal shelter operated under contract with a county
7 or city or otherwise in receipt of State or local funding shall prepare an annual report in the
8 form required by the ~~Department of Agriculture and Consumer Services~~Department of Public
9 Safety setting forth the numbers, by species, of animals received into the shelter, the number
10 adopted out, the number returned to owner, and the number destroyed. The report shall also
11 contain the total operating expenses of the shelter and the cost per animal handled. The report
12 shall be filed with the ~~Department of Agriculture and Consumer Services~~Department of Public
13 Safety by March 1 of each year. A city or county that does not timely file the report required by
14 this section is not eligible to receive reimbursement payments under G.S. 19A-64 during the
15 calendar year in which the report was to be filed.

16 **"§ 19A-66. Notification of available funding.**

17 Prior to January 1 of each year, the ~~Department of Agriculture and Consumer~~
18 ~~Services~~Department of Public Safety shall notify counties and cities that have, prior to that
19 notification deadline, established eligibility for distribution of funds from the Spay/Neuter
20 Account pursuant to G.S. 19A-63, of the following:

- 21 (1) The amount of funding in the Spay/Neuter Account that the Department will
22 have available for distribution to each county or city receiving notification to
23 pay reimbursement requests submitted by the county or city during the
24 calendar year following the notification deadline; and
- 25 (2) The amount of additional funding, if any, the Department estimates, but does
26 not guarantee, may be available to pay reimbursement requests submitted by
27 the notified county or city to the Department during the calendar year
28 following the notification deadline.
- 29 (3) The maximum amount that may be reimbursed for each surgical procedure
30 for a female dog or cat during the upcoming calendar year.
- 31 (4) The maximum amount that may be reimbursed for each surgical procedure
32 for a male dog or cat during the upcoming calendar year."

33 **SECTION 13B.4.(e)** The Animal Feed and Pet Food Branch within the Food and
34 Drug Protection Division of the Department of Agriculture and Consumer Services shall
35 transfer annually two hundred fifty thousand dollars (\$250,000) in receipts to the Spay/Neuter
36 Account of the Department of Public Safety.

37 **SECTION 13B.4.(f)** The Department of Agriculture and Consumer Services shall
38 transfer annually sixty-one thousand five hundred twenty-five dollars (\$61,525) in receipts
39 collected in accordance with G.S. 106-284.40(a) to the Spay/Neuter Account of the Department
40 of Public Safety.

41
42 **SUBPART XIII-C. DIVISION OF ADULT CORRECTION AND JUVENILE JUSTICE**

43
44 **JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY**
45 **VACANT POSITIONS**

46 **SECTION 13C.1.(a)** Section 16C.13 of S.L. 2013-360 reads as rewritten:

47 **"JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY**
48 **VACANT POSITIONS**

1 **SECTION 16C.13.(a)** Notwithstanding any other provision of law, subject to the
2 approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant
3 positions within the Department to create up to 30 new field services specialist or chief
4 probation/parole officer positions in order to meet the increasing caseloads resulting from the
5 implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

6 **SECTION 16C.13.(b)** The Department of Public Safety shall report to the Chairs
7 of the Senate Appropriations Committee on Justice and Public Safety and the House
8 Appropriations Subcommittee on Justice and Public Safety by ~~March 1, 2014,~~ March 1, 2015,
9 on the following:

- 10 (1) The position number, position type, salary, and position location of each new
11 position created under the authority of this section.
- 12 (2) The position number, position type, fund code, and position location of each
13 vacant position used to create new positions under the authority of this
14 section."

15 16 **MODIFY CONFINEMENT IN RESPONSE TO VIOLATION**

17 **SECTION 13C.2.(a)** G.S. 15A-1344(d2) reads as rewritten:

18 "(d2) Confinement in Response to Violation. – When a defendant under supervision for a
19 felony conviction has violated a condition of probation other than G.S. 15A-1343(b)(1) or
20 G.S. 15A-1343(b)(3a), the court may impose a period of confinement of 90 consecutive ~~days.~~
21 days, to be served in the custody of the Division of Adult Correction of the Department of
22 Public Safety. The court may not revoke probation unless the defendant has previously received
23 a total of two periods of confinement under this subsection. A defendant may receive only two
24 periods of confinement under this subsection. ~~If~~ The 90 day term of confinement ordered under
25 this subsection for a felony shall not be reduced by credit for time already served in the case.
26 Any such credit shall instead be applied to the suspended sentence. However, if the time
27 remaining on the maximum imposed sentence on a defendant under supervision for a felony
28 conviction is 90 days or less, then the term of confinement is for the remaining period of the
29 sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1.

30 When a defendant under supervision for a misdemeanor conviction has violated a condition
31 of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a
32 period of confinement of up to 90 consecutive ~~days.~~ days, to be served where the defendant
33 would have served an active sentence. The court may not revoke probation unless the defendant
34 has previously received a total of two periods of confinement under this subsection. A
35 defendant may receive only two periods of confinement under this subsection. Confinement
36 under this section shall be credited pursuant to G.S. 15-196.1.

37 ~~If a defendant is arrested for violation of a condition of probation and is lawfully confined~~
38 ~~to await a hearing for the violation, then the judge shall first credit any confinement time spent~~
39 ~~awaiting the hearing to any confinement imposed under this subsection; any excess time shall~~
40 ~~be credited to the activated sentence.~~ The period of confinement imposed under this subsection
41 on a defendant who is on probation for multiple offenses shall run concurrently on all cases
42 related to the violation. Confinement shall be immediate unless otherwise specified by the
43 court.

44 ~~A defendant shall serve any confinement imposed under this subsection in the correctional~~
45 ~~facility where the defendant would have served an active sentence."~~

46 **SECTION 13C.2.(b)** This section becomes effective October 1, 2014, and applies
47 to persons placed on probation on or after that date.

HOUSING MISDEMEANANTS AND DRIVING WHILE IMPAIRED OFFENDERS IN COUNTY JAILS

SECTION 13C.3.(a) G.S. 15A-1344(e) reads as rewritten:

"(e) Special Probation in Response to Violation. – When a defendant has violated a condition of probation, the court may modify the probation to place the defendant on special probation as provided in this subsection. In placing the defendant on special probation, the court may continue or modify the conditions of probation and in addition require that the defendant submit to a period or periods of imprisonment, either continuous or noncontinuous, at whatever time or intervals within the period of probation the court determines. 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. Except for probationary sentences for impaired driving under G.S. 20-138.1, if imprisonment is for continuous periods, the confinement may be in either the custody of 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 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, may not exceed one-fourth the maximum sentence of imprisonment imposed for the offense. For probationary sentences for impaired driving under G.S. 20-138.1, all imprisonment imposed under this subsection shall be in a designated local confinement or treatment facility, and 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. No confinement other than an activated suspended sentence may be required beyond the period of probation or beyond two years of the time the special probation is imposed, whichever comes first."

SECTION 13C.3.(b) G.S. 15A-1351 reads as rewritten:

"§ 15A-1351. Sentence of imprisonment; incidents; special probation.

(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 impaired driving under G.S. 20-138.1, all imprisonment imposed 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

1 condition shall apply to the defendant whether or not the court imposes it as a part of the
2 written order. Except for probationary sentences for impaired driving under G.S. 20-138.1, if
3 imprisonment is for continuous periods, the confinement may be in the custody of either the
4 Division of Adult Correction of the Department of Public Safety or a local confinement facility.
5 Noncontinuous periods of imprisonment under special probation may only be served in a
6 designated local confinement or treatment facility. Except for probationary sentences of
7 impaired driving under G.S. 20-138.1, the total of all periods of confinement imposed as an
8 incident of special probation, but not including an activated suspended sentence, may not
9 exceed one-fourth the maximum sentence of imprisonment imposed for the offense, and no
10 confinement other than an activated suspended sentence may be required beyond two years of
11 conviction. For probationary sentences for impaired driving under G.S. 20-138.1, the total of all
12 periods of confinement imposed as an incident of special probation, but not including an
13 activated suspended sentence, shall not exceed one-fourth the maximum penalty allowed by
14 law. In imposing a sentence of special probation, the judge may credit any time spent
15 committed or confined, as a result of the charge, to either the suspended sentence or to the
16 imprisonment required for special probation. The original period of probation, including the
17 period of imprisonment required for special probation, shall be as specified in
18 G.S. 15A-1343.2(d), but may not exceed a maximum of five years, except as provided by
19 G.S. 15A-1342(a). The court may revoke, modify, or terminate special probation as otherwise
20 provided for probationary sentences.

21 (b) Sentencing of a person convicted of a felony or of a misdemeanor other than
22 impaired driving under G.S. 20-138.1 that occurred on or after the effective date of Article 81B
23 is subject to that Article. For persons convicted of impaired driving under G.S. 20-138.1, a
24 sentence to imprisonment must impose a maximum term and may impose a minimum term.
25 The impaired driving judgment may state the minimum term or may state that a term
26 constitutes both the minimum and maximum terms. If the impaired driving judgment states no
27 minimum term, the defendant becomes eligible for parole in accordance with
28 G.S. 15A-1371(a).

29 (c) Repealed by Session Laws 1979, c. 749, s. 7.

30 (d), (e) Repealed by Session Laws 1993, c. 538, s. 19.

31 (f) Work Release. – When sentencing a person convicted of a felony, the sentencing
32 court may recommend that the sentenced offender be granted work release as authorized in
33 G.S. 148-33.1. When sentencing a person convicted of a misdemeanor, the sentencing court
34 may recommend or, with the consent of the person sentenced, order that the sentenced offender
35 be granted work release as authorized in G.S. 148-33.1.

36 (g) Credit. – Credit towards a sentence to imprisonment is as provided in Article 19A of
37 Chapter 15 of the General Statutes.

38 (h) Repealed by Session Laws 2003-141, s. 2, effective December 1, 2003."

39 **SECTION 13C.3.(c)** G.S. 15A-1352 reads as rewritten:

40 "**§ 15A-1352. Commitment to Division of Adult Correction of the Department of Public**
41 **Safety or local confinement facility.**

42 (a) ~~A~~Except for sentences for impaired driving under G.S. 20-138.1, a person
43 sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine
44 under Article 84 of this Chapter shall be committed for the term designated by the court to the
45 custody of ~~the Division of Adult Correction of the Department of Public Safety or to a local~~
46 ~~confinement facility. If the~~A sentence imposed for a misdemeanor ~~is for a period of 90 days or~~
47 ~~less, the commitment~~ must be to a facility other than one maintained by the Division of Adult
48 Correction of the Department of Public Safety, except as provided in G.S. 148-32.1(b).~~If the~~

1 ~~sentence or sentences imposed require confinement for more than 180 days, the commitment~~
2 ~~must be to the custody of the Division of Adult Correction of the Department of Public Safety.~~

3 If a person is sentenced to imprisonment for a misdemeanor under this Article or for
4 nonpayment of a fine under Article 84 of this Chapter, the sentencing judge shall make a
5 finding of fact as to whether the person would be suitable for placement in a county satellite
6 jail/work release unit operated pursuant to G.S. 153A-230.3. If the sentencing judge makes a
7 finding of fact that the person would be suitable for placement in a county satellite jail/work
8 release unit and the person meets the requirements listed in G.S. 153A-230.3(a)(1), then the
9 custodian of the local confinement facility may transfer the misdemeanant to a county satellite
10 jail/work release unit.

11 (b) A person sentenced to imprisonment for a felony under this Article shall be
12 committed for the term designated by the court to the custody of the Division of Adult
13 Correction of the Department of Public Safety.

14 (c) A person sentenced to imprisonment for nonpayment of a fine under Article 84,
15 Fines, shall be committed for the term designated by the court:

16 (1) To the custody of the Division of Adult Correction of the Department of
17 Public Safety if the person was fined for conviction of a felony;

18 (2) To the custody of ~~the Division of Adult Correction of the Department of~~
19 ~~Public Safety or to a local confinement facility~~ if the person was fined for
20 conviction of a misdemeanor, ~~provided that (i) if the sentence imposed is for~~
21 ~~a period of 90 days or less, the commitment shall be to a facility other than~~
22 ~~one maintained by the Division of Adult Correction of the Department of~~
23 ~~Public Safety, except as provided in G.S. 148-32.1(b) and (ii) if the sentence~~
24 ~~or sentences imposed require confinement for more than 180 days, the~~
25 ~~commitment must be to the custody of the Division of Adult Correction of~~
26 ~~the Department of Public Safety. G.S. 148-32.1(b).~~

27 (d) Notwithstanding any other provision of law, when the sentencing court, with the
28 consent of the person sentenced, orders that a person convicted of a misdemeanor be granted
29 work release, the court may commit the person to a specific prison facility or local confinement
30 facility or satellite jail/work release unit within the county of the sentencing court in order to
31 facilitate the work release arrangement. When appropriate to facilitate the work release
32 arrangement, the sentencing court may, with the consent of the sheriff or board of
33 commissioners, commit the person to a specific local confinement facility or satellite jail/work
34 release unit in another county, ~~or, with the consent of the Division of Adult Correction of the~~
35 ~~Department of Public Safety, commit the person to a specific prison facility in another county.~~
36 The Division of Adult Correction of the Department of Public Safety may transfer a prisoner
37 committed to a specific prison facility to a different facility when necessary to alleviate
38 overcrowding or for other administrative purposes.

39 (e) A person sentenced for a misdemeanor who has a sentence imposed that requires
40 confinement for a period of more than 90 days and up to 180 days, except for those serving
41 sentences for an impaired driving offense under G.S. 20-138.1 under this Article or for
42 nonpayment of a fine under Article 84 of this Chapter, shall be committed for the term
43 designated by the court to confinement pursuant to the Statewide Misdemeanant Confinement
44 Program established by G.S. 148-32.1.

45 (f) A person sentenced to imprisonment of any duration for impaired driving under
46 G.S. 20-138.1, other than imprisonment required as a condition of special probation under
47 G.S. 15A-1351(a) or G.S. 15A-1344(e), shall be committed to the Statewide Misdemeanant
48 Confinement Program as provided in G.S. 20-176."

1 **SECTION 13C.3.(d)** G.S. 20-176(c1) reads as rewritten:

2 "(c1) Notwithstanding any other provision of law, no person convicted of a misdemeanor
3 for the violation of any provision of this Chapter ~~except G.S. 20-28(a) and (b), G.S. 20-141(j),~~
4 ~~G.S. 20-141.3(b) and (c), G.S. 20-141.4, or a second or subsequent conviction of G.S. 20-138.1~~
5 shall be imprisoned in the State prison system ~~unless the person previously has been~~
6 ~~imprisoned in a local confinement facility, as defined by G.S. 153A-217(5), for a violation of~~
7 ~~this Chapter system.~~ A person sentenced to imprisonment of any duration for impaired driving
8 under G.S. 20-138.1, other than imprisonment required as a condition of special probation
9 under G.S. 15A-1351(a) or G.S. 15A-1344(e), shall be committed to the Statewide
10 Misdemeanant Confinement Program established by G.S. 148-32.1."

11 **SECTION 13C.3.(e)** G.S. 148-13 reads as rewritten:

12 **"§ 148-13. Regulations as to custody grades, privileges, gain time credit, etc.**

13 ...

14 (b) With respect to prisoners who are serving ~~prison or~~ jail terms for impaired driving
15 offenses under G.S. 20-138.1, the Secretary of Public Safety may, in his discretion, issue
16 regulations regarding deductions of time from the terms of such prisoners for good behavior,
17 meritorious conduct, work or study, participation in rehabilitation programs, and the like.

18 (c), (d) Repealed by Session Laws 1993, c. 538, s. 32, effective January 1, 1995.

19 (e) The Secretary's regulations concerning earned time and good time credits authorized
20 by this section shall be distributed to and followed by local jail administrators with regard to
21 sentenced jail prisoners.

22 "

23 **SECTION 13C.3.(f)** G.S. 148-32.1 reads as rewritten:

24 **"§ 148-32.1. Local confinement, costs, alternate facilities, parole, work release.**

25 ...

26 (b1) It is the intent of the General Assembly to authorize the Division of Adult
27 Correction to enter into voluntary agreements with counties to provide housing for
28 misdemeanants serving periods of confinement of more than 90 days ~~and up to 180 days,~~
29 ~~except for those serving a sentence for an impaired driving offense and for all sentences~~
30 imposed for impaired driving under G.S. 20-138.1, regardless of length. It is further the intent
31 of the General Assembly that the Division of Adult Correction, in conjunction with the North
32 Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving
33 periods of confinement of more than 90 days ~~and up to 180 days, except for those serving a~~
34 ~~sentence for an impaired driving offense and for all sentences imposed for impaired driving~~
35 under G.S. 20-138.1, regardless of length. It is also the intent of the General Assembly that the
36 Division of Adult Correction contract with the North Carolina Sheriffs' Association, Inc., to
37 provide a service that identifies space in local confinement facilities that is available for
38 housing these misdemeanants.

39 The General Assembly intends that the cost of housing and caring for these misdemeanants,
40 including, but not limited to, care, supervision, transportation, medical, and any other related
41 costs, be covered by State funds and not be imposed as a local cost. Therefore, the General
42 Assembly intends that the funds in the Statewide Misdemeanant Confinement Fund established
43 in G.S. 148-10.4 be used to provide funding to cover the costs of managing a system for
44 providing that housing of misdemeanants in local confinement facilities as well as reimbursing
45 the counties for housing and related expenses for those misdemeanants.

46 (b2) The Statewide Misdemeanant Confinement Program is established. The Program
47 shall provide for the housing of misdemeanants from all counties serving sentences imposed for
48 a period 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.~~ 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 13C.3.(g) 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 13C.3.(h) This section becomes effective October 1, 2014, and is applicable to persons placed on probation or sentenced to imprisonment on or after January 1, 2015, for impaired driving under G.S. 20-138.1 and is applicable to 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.

HIV TESTING

SECTION 13C.4. G.S. 148-19.2 reads as rewritten:

"§ 148-19.2. Mandatory HIV testing.

Each person sentenced to imprisonment and committed to the custody of the Division of Adult Correction of the Department of Public Safety shall be tested to determine whether the person is HIV ~~positive-positive~~, except for those serving a period of confinement in an adult residential behavior modification center as defined in G.S. 15A-1344.

Each inmate who has not previously tested positive for HIV shall also be tested:

- 1 (1) Not less than once every four years from the date of that inmate's initial
2 testing.
- 3 (2) Prior to the inmate's release from the custody of the Division of Adult
4 Correction, except that testing is not mandatory prior to the release of an
5 inmate who has been tested within one year of the inmate's release date.

6 In each case, the results of the test shall be reported to the inmate. If an inmate tests positive
7 for HIV, that inmate shall be referred to public health officials for counseling."
8

9 STATE COMMUNITY CORRECTIONS ADVISORY BOARD APPOINTMENT 10 CLARIFICATION

11 **SECTION 13C.5.** G.S. 143B-1157(b)(1) reads as rewritten:

- 12 "(1) The Governor shall appoint the following members: the county sheriff, the
13 chief of a city police department, the member of the public who has been the
14 victim of a crime, a two rehabilitated ex-offender, ex-offenders, and the
15 members selected from each of the service areas.
16

17 JUVENILE FACILITIES PLAN

18 **SECTION 13C.6.** Consistent with G.S. 143B-806, the Department of Public Safety
19 may use funds appropriated in the 2014-2015 fiscal year to accomplish the operational
20 components identified in its 2014 Juvenile Justice Facilities Strategic Plan.

21 Funds allocated to the Department of Public Safety from the 2013-2014 Repairs and
22 Renovation Reserves in the amount of one million seven hundred seventy-four dollars
23 (\$1,774,000) for Dobbs Youth Development Center Kitchen Renovations may be used by the
24 Department to support construction, expansions, renovations, and repairs necessary to
25 implement the Department's 2014 Juvenile Justice Facilities Strategic Plan.
26

27 PART XIV. DEPARTMENT OF ADMINISTRATION

29 REVISIONS TO EUGENICS COMPENSATION PROGRAM

30 **SECTION 14.1.(a)** G.S. 143B-426.51 reads as rewritten:

31 "**§ 143B-426.51. Compensation payments.**

32 (a) A claimant determined to be a qualified recipient under this Part shall receive
33 ~~lump sum~~ compensation in the amount determined by this subsection from funds appropriated
34 to the Department of State Treasurer for these purposes. A qualified recipient shall receive
35 compensation in the form of two payments. The initial payment and largest payment shall be
36 made on or after October 1, 2014, and prior to July 1, 2015. A second, smaller, and final
37 payment shall be made after the exhaustion of all appeals arising from the denial of eligibility
38 for compensation under this Part. Except as provided by the succeeding sentence, the amount of
39 compensation for each qualified recipient is the sum of ten million dollars (\$10,000,000)
40 divided by the total number of qualified recipients, and all such payments shall be made on
41 June 30, 2015. The State Treasurer shall reduce the ten million dollars (\$10,000,000) by
42 holding out a pro rata amount per claimant for any cases in which there has not been a final
43 determination of the claim on June 30, 2015. Payments made to persons determined to be
44 qualified claimants after that date shall be made upon such determination, and if after final
45 adjudication of all claims there remains a balance from the funds held out, they shall be paid
46 pro rata to all qualified claimants.

47 The initial payment to each qualified recipient will be calculated by adding together the
48 number of qualified recipients as of the last business day prior to the initial payment and the

1 number of claims outstanding that are pending in the appeal process, then dividing that total
2 number into the sum of ten million dollars (\$10,000,000).

3 The final payment calculation will be made by taking the balance of compensation funds
4 remaining after the exhaustion of appeals and dividing that sum equally between the number of
5 qualified recipients determined finally to be eligible to receive compensation. The final
6 payment checks shall be remitted within 90 days of the exhaustion of the last appeal. Any
7 qualified claimant who was successful on appeal and who did not receive an initial payment
8 shall be paid an amount equal to the initial payment amount, plus the amount from the final
9 payment calculation.

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

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

14 (d) It is the public policy of this State that funds awarded for the compensation of
15 sterilization victims under this Part may be used only for the purpose of benefiting victims and
16 shall not be used to pay attorneys' fees arising from representation at the Office of Justice for
17 Sterilization Victims, before the Industrial Commission, or on appeal. The General Assembly
18 finds that qualified recipients have suffered a unique harm that calls for a unique remedy and
19 that there are sufficient sources of assistance and pro bono legal representation available to
20 protect their interests. Therefore, the acceptance of attorneys' fees from a qualified recipient is
21 deemed to be an unfair trade practice under G.S. 75-1.1."

22 **SECTION 14.1.(b)** Section 6.18(f) reads as rewritten:

23 ~~"SECTION 6.18.(f) Of the funds appropriated to the Eugenics Sterilization Compensation~~
24 ~~Fund, the sum of one hundred twenty-three thousand seven hundred forty-eight dollars~~
25 ~~(\$123,748) shall be transferred~~ Of the funds appropriated to the Office of Justice for
26 Sterilization Victims to pay the continued operations of the Justice for Sterilization Victims
27 Foundation ~~Department of Administration, the sum of one hundred thirty thousand dollars~~
28 ~~(\$130,000) is appropriated to the Office of Justice for Sterilization Victims for the 2013-2014~~
29 ~~fiscal year.~~ year to pay the costs of administering the compensation program for sterilization
30 victims."

31 **SECTION 14.1.(c)** Effective July 1, 2014, there is appropriated from the General
32 Fund to the Office of Justice for Victims Sterilization, Department of Administration, the sum
33 of one hundred thirty thousand dollars (\$130,000) for the 2014-2015 fiscal year to pay the costs
34 of administering the compensation program for sterilization victims.

35 **SECTION 14.1.(d)** Section 6.18(g) of S.L. 2013-360 reads as rewritten:

36 **"SECTION 6.18.(g)** Subsection (b) of this section becomes effective for taxable years
37 beginning on or after January 1, 2015. Subsections (e) and (g) of this section are effective when
38 this act becomes law. The remainder of this section becomes effective July 1, 2013. Except for
39 the provisions of subsections (b) and (c) of this section, and the final adjudication of any claims
40 under subsection (a) of this section that are pending on June 30, 2015, this section expires ~~June~~
41 ~~30, 2015.~~ June 30, 2015, and the Office of Justice for Sterilization Victims is abolished."

42 **SECTION 14.1.(e)** This section is effective when it becomes law and applies to all
43 claims and appeals made under Article 9 of Chapter 143B of the General Statutes.

44 **PART XV. DEPARTMENT OF CULTURAL RESOURCES**

45 **CREATE NEW SPECIAL FUND FOR QUEEN ANNE'S REVENGE PROJECT**

46
47

1 To claim the additional five percent (5%) credit for eligible targeted investment site allowed by
2 this subsection, the taxpayer must provide to the Secretary a copy of the eligibility certification.

3 (b) Notwithstanding the provisions of G.S. 105-131.8 and G.S. 105-269.15, a
4 pass-through entity that qualifies for the credit provided in this section may allocate the credit
5 among any of its owners in its discretion. Owners to whom a credit is allocated are allowed the
6 credit as if they had qualified for the credit directly. A pass-through entity and its owners must
7 include with their tax returns for every taxable year in which an allocated credit is claimed a
8 statement of the allocation made by the pass-through entity and the allocation that would have
9 been required under G.S. 105-131.8 or G.S. 105-269.15.

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

11 (1) Certified historic structure. – Defined in section 47 of the Code.

12 (1a) Development tier area. – Defined in G.S. 143B-437.08.

13 (1b) Eligibility certification. – The certification obtained from the State Historic
14 Preservation Officer that the site comprises an eligible targeted investment
15 site.

16 (1c) Eligible targeted investment site. – A site located in this State that satisfies
17 all of the following conditions:

18 a. It was used as a manufacturing facility or for purposes ancillary to
19 manufacturing, as a warehouse for selling agricultural products, or as
20 a public or private utility.

21 b. It is a certified historic structure.

22 c. It has been at least sixty-five percent (65%) vacant for a period of at
23 least two years immediately preceding the date the eligibility
24 certification is made.

25 (2) Pass-through entity. – Defined in G.S. 105-228.90.

26 (3) Qualified rehabilitation expenditures. – Defined in section 47 of the Code.

27 (4) State Historic Preservation Officer. – The Deputy Secretary of the Office of
28 Archives and History of the North Carolina Department of Cultural
29 Resources, or the Deputy Secretary's designee who acts to administer the
30 historic preservation programs within the State.

31 **"§ 105-129.35A. Rules; fees.**

32 (a) Rules. – The North Carolina Historical Commission, in consultation with the State
33 Historic Preservation Officer, may adopt rules needed to administer the certification process
34 required by this section.

35 (b) Fees. – The North Carolina Historical Commission, in consultation with the State
36 Historic Preservation Officer, may adopt a schedule of fees for providing certifications required
37 by this Article. In establishing the fee schedule, the Commission shall consider the
38 administrative and personnel costs incurred by the Department of Cultural Resources. An
39 application fee may not exceed one percent (1%) of the completed qualifying rehabilitation
40 expenditures. The proceeds of the fees are receipts of the Department of Cultural Resources
41 and must be used for performing its duties under this Article.

42 **"§ 105-129.36. Credit for rehabilitating nonincome-producing historic structure.**

43 (a) Credit. – A taxpayer who is not allowed a federal income tax credit under section 47
44 of the Code and who makes rehabilitation expenses for a State-certified historic structure
45 located in this State is allowed a credit equal to the following percentages:

46 (1) Base credit one: Twenty percent (20%) of the rehabilitation expenses
47 incurred up to two hundred thousand dollars (\$200,000) over any one

- 1 24-month period per discrete property parcel with an assessed value equal to
2 or less than the statewide median home value;
- 3 (2) Base credit two: Fifteen percent (15%) of the rehabilitation expenses
4 incurred up to two hundred thousand dollars (\$200,000) over any one
5 24-month period per discrete property parcel with an assessed value equal to
6 or less than one-hundred and fifty percent (150%) of the statewide median
7 home value; To qualify for the credit, the taxpayer's rehabilitation expenses
8 must exceed ten thousand dollars (\$10,000) within a 24-month period, and
9 no credit shall be allowed for rehabilitation expenses incurred on a single
10 State-certified historic property in excess of two hundred thousand dollars
11 (\$200,000) over a period of five years. To claim the credit allowed by this
12 subsection, the taxpayer must provide a copy of the certification obtained
13 from the State Historic Preservation Officer verifying that the historic
14 structure has been rehabilitated in accordance with this subsection.
- 15 (b) Definitions. – The following definitions apply in this section:
- 16 (1) Certified rehabilitation. – Repairs or alterations consistent with the Secretary
17 of the Interior's Standards for Rehabilitation and certified as such by the
18 State Historic Preservation Officer.
- 19 (2) Rehabilitation expenses. – The following categories of expenses incurred in
20 the certified rehabilitation of a certified historic structure and added to the
21 property's basis: the exterior of the historic structure; the interior of a
22 window sash if work is done to the exterior of the window sash; structural
23 elements of the historic structure; the heating or ventilating systems;
24 electrical or plumbing systems, but not electrical or plumbing fixtures; and
25 insulation. The term does not include the cost of acquiring the property, the
26 cost attributable to the enlargement of an existing building, the cost of
27 sitework expenditures, the cost of personal property, or any other interior
28 expense.
- 29 (3) State-certified historic structure. – A structure that is individually listed in
30 the National Register of Historic Places or is certified by the State Historic
31 Preservation Officer as contributing to the historic significance of a National
32 Register Historic District or a locally designated historic district certified by
33 the United States Department of the Interior.
- 34 (4) State Historic Preservation Officer. – The Deputy Secretary of Archives and
35 History or the Deputy Secretary's designee who acts to administer the
36 historic preservation programs within the State.
- 37 (5) Assessed value. – The tax value of the property upon which the
38 State-certified historic structure is sited on the county listing as of the
39 beginning of the year in which rehabilitation expenses on the State-certified
40 historic structure commence.
- 41 (6) Statewide median home value. – The median value of owner-occupied
42 housing units for the state of North Carolina, as determined by the five-year
43 American Community Survey estimates published by the U.S. Census
44 Bureau in the year prior to the year in which the State Historic Preservation
45 Officer issues the certification verifying that the historic structure has been
46 rehabilitated in accordance with this subsection.

47 "§ 105-129.36A. Rules; fees.

1 (a) Rules. – The North Carolina Historical Commission, in consultation with the State
2 Historic Preservation Officer, may adopt rules needed to administer the certification process
3 required by this Section.

4 (b) Fees. – The North Carolina Historical Commission, in consultation with the State
5 Historic Preservation Officer, may adopt a schedule of fees for providing certifications required
6 by this Article. In establishing the fee schedule, the Commission shall consider the
7 administrative and personnel costs incurred by the Department of Cultural Resources. An
8 application fee may not exceed one percent (1%) of the completed qualifying rehabilitation
9 expenditures. The proceeds of the fees are receipts of the Department of Cultural Resources
10 and must be used for performing its duties under this Article.

11 **"§ 105-129.37. Tax credited; credit limitations.**

12 (a) Tax Credited. – The credits provided in this Article are allowed against the franchise
13 tax imposed under Article 3 of this Chapter, the income taxes levied in Article 4 of this
14 Chapter, or the gross premium tax imposed under Article 8B of this Chapter. The taxpayer may
15 take the credits allowed by this Article against only one of the taxes against which it is allowed.
16 The taxpayer must elect the tax against which a credit will be claimed when filing the return on
17 which it is claimed, and this election is binding. The credit may be claimed in the year in which
18 the certified historic structure is placed into service. When the certified historic structure is
19 placed into service in two or more phases in different years, the amount of credit that may be
20 claimed in a year is the amount based on the qualified rehabilitation expenditures associated
21 with the phase placed into service during that year.

22 (b) Credit Limitations. – The entire credit may be taken for the taxable year in which
23 the property is placed in service; any unused portion of the credit may be carried forward for
24 the succeeding nine years. A credit allowed under this Article may not exceed the amount of
25 the tax against which it is claimed for the taxable year reduced by the sum of all credits
26 allowed, except payments of tax made by or on behalf of the taxpayer. Any carryforwards of
27 the credit must be claimed against the same tax.

28 (c) Forfeiture for Disposition. – A taxpayer who is required under section 50 of the
29 Code to recapture all or part of the federal credit for rehabilitating an income-producing historic
30 structure located in this State forfeits the corresponding part of the State credit allowed under
31 G.S. 105-129.35 with respect to that historic structure. If the credit was allocated among the
32 owners of a pass-through entity, the forfeiture applies to the owners in the same proportion that
33 the credit was allocated.

34 (d) Forfeiture for Change in Ownership. – If an owner of a pass-through entity that has
35 qualified for the credit allowed under G.S. 105-129.35 disposes of all or a portion of the
36 owner's interest in the pass-through entity within five years from the date the rehabilitated
37 historic structure is placed in service and the owner's interest in the pass-through entity is
38 reduced to less than two-thirds of the owner's interest in the pass-through entity at the time the
39 historic structure was placed in service, the owner forfeits a portion of the credit. The amount
40 forfeited is determined by multiplying the amount of credit by the percentage reduction in
41 ownership and then multiplying that product by the forfeiture percentage. The forfeiture
42 percentage equals the recapture percentage found in the table in section 50(a)(1)(B) of the
43 Code. The remaining allowable credit is allocated equally among the five years in which the
44 credit is claimed.

45 (e) Exceptions to Forfeiture. – Forfeiture as provided in subsection (d) of this section is
46 not required if the change in ownership is the result of any of the following:

47 (1) The death of the owner.

(2) A merger, consolidation, or similar transaction requiring approval by the shareholders, partners, or members of the taxpayer under applicable State law, to the extent the taxpayer does not receive cash or tangible property in the merger, consolidation, or other similar transaction.

(f) **Liability From Forfeiture.** – A taxpayer or an owner of a pass-through entity that forfeits a credit under this section is liable for all past taxes avoided as a result of the credit plus interest at the rate established under G.S. 105-241.21, computed from the date the taxes would have been due if the credit had not been allowed. The past taxes and interest are due 30 days after the date the credit is forfeited. A taxpayer or owner of a pass-through entity that fails to pay the taxes and interest by the due date is subject to the penalties provided in G.S. 105-236.

"§ 105-129.38. Report; tracking.

(a) The Department must include in the economic incentives report required by G.S. 105-256 the following information itemized by taxpayer:

(1) The number of taxpayers that took the credits allowed in this Article.

(2) The amount of rehabilitation expenses and qualified rehabilitation expenditures with respect to which credits were taken.

(3) The total cost to the General Fund of the credits taken per taxpayer per project.

(b) The Department shall track the allowable credits, including credits carried forward, to each taxpayer by use of a project number generated by the State Historic Preservation Office, and shall develop a method for reporting said project number on North Carolina annual tax returns.

(c) The Department must also include in the economic incentives report required by G.S. 105-256 the following information:

(1) The total amount of tax credits awarded and the total amount of tax credits claimed against current taxes, by type of tax, during the relevant tax year.

(2) The total amount of tax credits carried forward for future tax years, by type of tax.

"§ 105-129.39. Sunset.

This Article expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2020."

MILL REHABILITATION TAX CREDIT

SECTION 15.3.(a) G.S. 105-129.75 reads as rewritten:

"§ 105-129.75. Sunset.

This Article expires January 1, 2015, for rehabilitation projects for which an application for an eligibility certification is submitted on or after that date. Eligibility certifications under this section will expire January 1, 2020."

SECTION 15.3.(b) G.S. 105-129.75A reads as rewritten:

"§ 105-129.75A. Report.

(a) The Department must include in the economic incentives report required by G.S. 105-256 the following information itemized by taxpayer:

(1) The number of taxpayers that took the credits allowed in this Article.

(2) The amount of rehabilitation expenses and qualified rehabilitation expenditures with respect to which credits were taken.

(3) The total cost to the General Fund of the credits taken.

(b) The Department shall track the allowable credits, including credits carried forward, to each taxpayer by use of a project number generated by the State Historic Preservation Office

1 and shall develop a method for reporting said project number on North Carolina annual tax
2 returns.

3 (c) The Department must also include in the economic incentives report required by
4 G.S. 105-256 the following information:

5 (1) The total amount of tax credits awarded and the total amount of tax credits
6 claimed against current taxes, by type of tax, during the relevant tax year.

7 (2) The total amount of tax credits carried forward for future tax years, by type
8 of tax."

9 **SECTION 15.3.(c)** Article 3H of Chapter 105 of the General Statutes is amended
10 by adding a new section to read:

11 **"§ 105-129.75B. No Double Benefit.**

12 Eligible mill sites for which an application for an eligibility certification under Article 3H
13 of Chapter 105 of the General Statutes is submitted prior to January 1, 2015, are not eligible for
14 the credit allowed in Article 3D of Chapter 105 of the General Statutes, on or after January 1,
15 2015, unless the holder of the eligibility certification formally surrenders the certification by
16 notarized letter submitted to the State Historic Preservation Officer."

17
18 **MODIFY ROLES OF ROANOKE ISLAND COMMISSION AND DEPARTMENT OF**
19 **CULTURAL RESOURCES IN MANAGING ROANOKE ISLAND FESTIVAL PARK**

20 **SECTION 15.4.(a)** G.S. 143B-131.1 reads as rewritten:

21 **§ 143B-131.1. Commission established.**

22 There is established the Roanoke Island Commission. ~~The Commission shall be an~~
23 ~~independent, self-supporting commission, but shall be located~~ within the Department of
24 Cultural Resources ~~for historic resource management, organizational, and budgetary purposes.~~
25 to advise and assist the Secretary of the Department of Cultural Resources in the protection,
26 preservation, development, and interpretation of the historical and cultural assets of Roanoke
27 Island.

28 **SECTION 15.4.(b)** G.S. 143B-131.2 reads as rewritten:

29 **§ 143B-131.2. Roanoke Island Commission – Purpose, powers, and duties.**

30 (a) The Roanoke Island Commission of the Department of Cultural Resources is
31 created to ~~combine various existing entities in the spirit of cooperation for a cohesive body to~~
32 ~~protect, preserve, develop, and interpret the historical and cultural assets of Roanoke Island.~~
33 ~~The Commission is further created to~~ fundraise for, and operate and administer the Elizabeth II
34 State Historic Site and Visitor Center, the Elizabeth II, Ice Plant Island, Roanoke Island Festival
35 Park and all other properties under the administration of the Department of Cultural Resources
36 located on Roanoke Island having historical significance to the State of North Carolina, Dare
37 County, or the Town of Manteo, except as otherwise determined by the
38 Commission. ~~Department of Cultural Resources.~~

39 (b) The Commission shall have the following powers and duties:

40 (1) To advise the Secretary of the Department of Transportation and adopt rules
41 on matters pertaining to, affecting, and encouraging restoration,
42 preservation, and enhancement of the appearance, maintenance, and
43 aesthetic quality of U.S. Highway 64/264 and the U.S. 64/264 Bypass travel
44 corridor on Roanoke Island and the grounds on Roanoke Island Festival
45 Park. However, the local government that has jurisdiction over the affected
46 portion of the travel corridor shall process the applications for and issue the
47 certificates of appropriateness and shall be responsible for the enforcement
48 of those certificates and any rules adopted pursuant to this subdivision that

1 apply to the portion of the travel corridor within the jurisdiction of the local
 2 government. No reimbursement shall be made by the Commission to the
 3 local government for the processing of applications or issuance of
 4 certificates of appropriateness, or the enforcement of those certificates or the
 5 rules.

6 (2) To operate Roanoke Island Festival Park, including the Elizabeth II State
 7 Historic Site and Visitor Center and the Elizabeth II as permanent memorials
 8 commemorating the Roanoke Voyages, 1584-1587.

9 ~~(3) To supervise the development of Ice Plant Island and to manage future~~
 10 ~~facilities.~~

11 ~~(4)~~(3) To advise the Secretary of the Department of Cultural Resources on matters
 12 pertinent to historical and cultural events on Roanoke Island.

13 ~~(5)~~(4) With the assistance of the Department of Cultural Resources, to identify,
 14 preserve, and protect properties located on Roanoke Island having historical
 15 significance to the State of North Carolina, Dare County, or the Town of
 16 Manteo consistent with applicable State laws and rules.

17 ~~(6)~~(5) ~~To~~With the approval of the Secretary of Cultural Resources, to establish and
 18 collect a charge for admission to any property or event operated by the
 19 Commission.

20 ~~(7) To solicit and accept gifts, grants, and donations.~~

21 ~~(8)~~(6) To cooperate with the Secretary and Department of Cultural Resources, the
 22 Secretary and Department of Transportation, the Secretary and Department
 23 of Environment and Natural Resources, and other governmental agencies,
 24 officials, and entities, and provide them with assistance and advice.

25 ~~(9)~~(7) To adopt and enforce such ~~bylaws, rules, and guidelines, rules, and~~
 26 ~~guidelines, not inconsistent with the rules and guidelines of the Department~~
 27 ~~of Cultural Resources,~~ that the Commission deems to be reasonably
 28 necessary in order to carry out its powers and duties. Chapter 150B of the
 29 General Statutes does not apply to the adoption of rules by the Commission.

30 ~~(10)~~(8) To fundraise, accept monies, gifts, donations, grants, or devises, which funds
 31 will be used by the Commission for purposes of carrying out its duties and
 32 purposes herein set forth.~~The Commission may establish a reserve fund to be~~
 33 ~~maintained and used for contingencies and emergencies.~~ The Friends of
 34 Elizabeth II, Inc., shall use the balance of any unencumbered funds that were
 35 transferred to it pursuant to this subdivision only for expenses of the
 36 Commission or the properties operated by the Commission that are identified
 37 as operating or for maintenance costs by the Commission and that are
 38 requested by the Commission.

39 ~~(11)~~(9) By cooperative arrangement with other agencies, groups, individuals, and
 40 other entities, to coordinate and schedule historical and cultural events on
 41 Roanoke Island.

42 ~~(12)~~(10) Make recommendations to the Secretary of Cultural Resources concerning
 43 personnel and budgetary matters.

44 ~~(13) To acquire real and personal property by purchase, gift, devise, and~~
 45 ~~exchange.~~

46 ~~(14) To administer the Historic Roanoke Island Fund as provided in~~
 47 ~~G.S. 143B-131.8A.~~

~~(15)(11)~~ 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.

SECTION 15.4.(c) G.S. 143B-131.3 is repealed.

SECTION 15.4.(d) G.S.143B-131.4 reads as rewritten:

"§ 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:

- (1) A summary of actions taken by the Commission consistent with the powers and duties of the Commission set forth in G.S. 143B-131.2.
- (2) Recommendations for legislation and administrative action to promote and develop the Elizabeth II State Historic Site and Visitor Center.
- (3) An accounting of funds received and expended."

SECTION 15.4.(e) G.S. 143B-131.5 reads as rewritten:

"§ 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, Session Laws of 1981, is inconsistent with this Part, the powers and duties in this Part shall control.~~

(b) Effective October 1, 1994, all lawful standards, rules, regulations, guidelines, contracts, agreements, permits, bylaws, and certificates of appropriateness of or issued by the Roanoke Voyages Corridor Commission or the Roanoke Voyages and Elizabeth II Commission shall remain in effect until modified, amended, revoked, repealed, or changed (as appropriate) by the Roanoke Island Commission in accordance with law.

(c) All the assets and liabilities of the Roanoke Voyages and Elizabeth II Commission are vested in the Roanoke Island Commission."

SECTION 15.4.(f) G.S. 143B-131.6 reads as rewritten:

"§ 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;

- 1 (2) Six members appointed by the General Assembly upon the recommendation
2 of the President Pro Tempore of the Senate, at least two of whom reside in
3 Dare County;
- 4 (3) Six members appointed by the General Assembly upon the recommendation
5 of the Speaker of the House of Representatives, at least two of whom reside
6 in Dare County; and
- 7 (4) The following persons, or their designees, ex officio:
8 a. ~~The Governor;~~
9 b. The Attorney General;
10 c. ~~The Secretary of the Department of Cultural Resources;~~
11 d. The Secretary of the Department of Transportation;
12 e. The Chair of the Dare County Board of Commissioners; and
13 f. The Mayor of Manteo.
- 14 (5) The Secretary of the Department of Cultural Resources, or his/her designee,
15 shall serve ex officio, nonvoting.
- 16 (b) Members shall serve for two-year terms, with no prohibition against being
17 reappointed, except initial appointments shall be for terms as follows:
- 18 (1) The Governor shall initially appoint three members for a term of two years
19 and three members for a term of three years.
- 20 (2) The General Assembly upon the recommendation of the President Pro
21 Tempore of the Senate shall initially appoint three members for a term of
22 two years and three members for a term of three years.
- 23 (3) The General Assembly upon the recommendation of the Speaker of the
24 House of Representatives shall initially appoint three members for a term of
25 two years and three members for a term of three years.
- 26 Initial terms shall commence on October 1, 1994.
- 27 (c) The Governor shall appoint a chair biennially from among the membership of the
28 Commission. The initial term of the chair shall commence on October 1, 1994. The
29 Commission shall elect from its membership a vice-chair, a secretary, and treasurer to serve
30 two-year terms. ~~The Commission in its discretion may appoint a historian to serve at its~~
31 ~~pleasure. Initial terms shall commence on October 1, 1994.~~
- 32 (d) A vacancy in the Commission resulting from the resignation of a member or
33 otherwise, shall be filled in the same manner in which the original appointment was made, and
34 the term shall be for the balance of the unexpired term. Vacancies in appointments made by the
35 General Assembly shall be filled in accordance with G.S. 120-122.
- 36 (e) The Commission members shall receive no salary as a result of serving on the
37 Commission but shall receive per diem, subsistence, and travel expenses in accordance with the
38 provisions of G.S. 138-5 and G.S. 138-6, as applicable. When approved by the Commission,
39 members may be reimbursed for subsistence and travel expenses in excess of the statutory
40 amount.
- 41 (f) Members may be removed in accordance with G.S. 143B-13 as if that section
42 applied to this Part.
- 43 (g) The chair shall convene the Commission. Meetings shall be held as often as
44 necessary, but not less than ~~two~~four times a year.
- 45 (h) A majority of the members of the Commission shall constitute a quorum for the
46 transaction of business. The affirmative vote of a majority of the members present at meetings
47 of the Commission shall be necessary for action to be taken by the Commission.

1 (i) The Commission shall make its recommendations by March 15 of each year that
2 terms expire for appointments for terms commencing July 1 of that year; ~~provided the initial~~
3 ~~appointments for terms commencing October 1, 1994, shall be made upon recommendation of~~
4 ~~the Roanoke Island Historical Association year."~~

5 SECTION 15.4.(g) G.S. 143B-131.8A reads as rewritten:

6 "**§ 143B-131.8A. Historic Roanoke Island Fund.**

7 (a) The Historic Roanoke Island Fund is established as a nonreverting enterprise fund
8 and shall be administered by the ~~Roanoke Island Commission~~Department of Cultural
9 Resources. All operating revenues generated by the Roanoke Island Commission, including
10 revenues collected from any property operated by the Roanoke Island Commission, together
11 with all gifts, grants, donations, or other financial assets of whatever kind received or held by
12 the Roanoke Island Commission shall be credited to the Historic Roanoke Island Fund and
13 shall be used only (i) for the expenses of operating and maintaining the Roanoke Island
14 Commission and the properties managed by the Roanoke Island Commission, including the
15 salaries and benefits of Roanoke Island Festival Park staff, (ii) to carry out any of the other
16 duties and purposes set out by this Part, or (iii) for capital expenditures for the properties
17 operated by the Commission.

18 (b) The Department of Cultural Resources shall ~~pay to the Commission~~transfer to the
19 Fund on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses
20 of the Outer Banks History Center, which is located in the facility owned by the Commission.
21 The funds received pursuant to this subsection shall be credited to the Historic Roanoke Island
22 Fund.

23 (c) The Department of Cultural Resources shall credit to the Historic Roanoke Island
24 Fund all rental proceeds received by the Department from the rental properties located near the
25 Outer Banks Island Farm."

26 SECTION 15.4.(h) G.S. 143B-131.9 reads as rewritten:

27 "**§ 143B-131.9. Roanoke Island ~~Commission~~Festival Park staff.**

28 The Commission shall ~~appoint and fix the salary of an Executive Director to serve at its~~
29 ~~pleasure and may hire other employees. Employees of the Commission who were transferred~~
30 ~~from the Department of Cultural Resources as of July 1, 1995, and who were subject to the~~
31 ~~North Carolina Human Resources Act, Chapter 126 of the General Statutes, at the time of the~~
32 ~~transfer shall continue to be subject to that act. Employees of the Commission who were~~
33 ~~transferred but were not subject to the North Carolina Human Resources Act at the time of~~
34 ~~transfer are not subject to the North Carolina Human Resources Act. Employees of the~~
35 ~~Commission who were not transferred are not subject to the North Carolina Human Resources~~
36 ~~Act unless the Commission designates the employee's position as subject to the North Carolina~~
37 ~~Human Resources Act when the employee is hired. Once designated, a position remains subject~~
38 ~~to the North Carolina Human Resources Act unless exempted in accordance with that act.~~shall
39 serve as a search committee to seek out, interview, and recommend to the Secretary of Cultural
40 Resources an Executive Director of Roanoke Island Festival Park. The Executive Director,
41 Assistant Directors, and Curators shall be exempt from: (i) the classification and compensation
42 rules established by the State Human Resources Commission pursuant to G.S. 126-4(1) through
43 (4); (ii) G.S. 126-4(5) only as it applies to hours and days of work, vacation, and sick leave;
44 (iii) G.S. 126-4(6) only as it applies to promotion and transfer; (iv) G.S. 126-4(10) only as it
45 applies to the prohibition of the establishment of incentive pay programs; and (v) Article 2 of
46 Chapter 126 of the General Statutes, except for G.S. 126-7.1. All employees of the Commission
47 shall be transferred to the Department of Cultural Resources but shall be paid for by the
48 Commission. Except as otherwise provided in this section, all employees who are transferred

1 from the Commission to the Department of Cultural Resources shall retain the same
2 designation under the North Carolina Human Resources Act, Chapter 126 of the General
3 Statutes, as they had prior to the transfer."

4
5 **EXEMPT THE DEPARTMENT OF CULTURAL RESOURCES FROM OPERATING**
6 **RULES REQUIREMENTS RELATED TO HISTORIC SITES AND MUSEUMS**

7 **SECTION 15.5.(a)** G.S. 121-7.3 reads as rewritten:

8 "**§ 121-7.3. Admission and related activity fees and operating hours.**

9 The Department of Cultural Resources may charge a reasonable admission and related
10 activity fee to any historic site or museum administered by the Department. Admission and
11 related activity fees collected under this section are receipts of the Department and shall be
12 deposited in the appropriate special fund. The revenue collected pursuant to this section shall
13 be used only for the individual historic site or museum where the receipts were generated. The
14 Secretary may adopt rules necessary to carry out the provisions of this section. The Department
15 is exempt from the requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when
16 adopting, amending, or repealing rules for operating hours and admission fees or related
17 activity fees at historic sites and museums. The Department shall submit a report to the Joint
18 Legislative Commission on Governmental Operations on the amount and purpose of a fee
19 change within 30 days following its effective date."

20 **SECTION 15.5.(b)** G.S. 143B-71 reads as rewritten:

21 "**§ 143B-71. Tryon Palace Commission – creation, powers and duties.**

22 There is hereby created the Tryon Palace Commission of the Department of Cultural
23 Resources with the power and duty to adopt, amend and rescind rules and regulations
24 concerning the restoration and maintenance of the Tryon Palace complex, and other powers and
25 duties as provided in Article 2 of Chapter 121 of the General Statutes of North Carolina,
26 including the authority to charge reasonable admission and related activity fees. The
27 Commission is exempt from the requirements of Chapter 150B of the General Statutes and
28 G.S. 12-3.1 when adopting, amending, or repealing rules for operating hours and admission
29 fees or related activity fees at Tryon Palace Historic Sites and Gardens. The Commission shall
30 submit a report to the Joint Legislative Commission on Governmental Operations on the
31 amount and purpose of a fee change within 30 days following its effective date."

32 **SECTION 15.5.(c)** G.S. 143B-73 reads as rewritten:

33 "**§ 143B-73. U.S.S. North Carolina Battleship Commission – creation, powers and duties.**

34 There is hereby created the U.S.S. North Carolina Battleship Commission of the
35 Department of Cultural Resources with the power and duty to adopt, amend, and rescind rules
36 and regulations under and not inconsistent with the laws of this State necessary in carrying out
37 the provisions and purposes of this Part.

38 ...

39 (3) The Commission shall adopt rules and regulations consistent with the
40 provisions of this Chapter. The Commission is exempt from the
41 requirements of Chapter 150B and section 12-3.1 of the General Statutes
42 when adopting, amending, or repealing rules for operating hours and
43 admission fees or related activity fees at the U.S.S. North Carolina
44 Battleship. The Commission shall submit a report to the Joint Legislative
45 Commission on Governmental Operations on the amount and purpose of a
46 fee change within 30 days following its effective date."

47
48 **PART XVA. HOUSING FINANCE AGENCY**

1
2 **HOUSING FINANCE AGENCY LOW-INCOME HOUSING LOAN PROGRAM FOR**
3 **QUALIFIED LOW-INCOME HOUSING DEVELOPMENT IN TIER ONE AND TIER**
4 **TWO COUNTIES**

5 **SECTION 15A.(a)** There is appropriated from the General Fund to the North
6 Carolina Housing Finance Agency (hereinafter "Housing Finance Agency") the sum of two
7 million dollars (\$2,000,000) in nonrecurring funds for the 2014-2015 fiscal year for the purpose
8 of making loans for qualified North Carolina low-income housing development in development
9 tier one and tier two areas.

10 **SECTION 15A.(b)** the following definitions apply in this section:

- 11 (1) Code. – As defined in G.S. 105-228.90.
12 (2) Development tier. – As defined in G.S. 143B-437.08.
13 (3) Qualified North Carolina low-income housing development. – A qualified
14 low-income project or building that is allocated a federal tax credit under
15 section 42(h)(1) of the Code.
16 (4) Qualified residential unit. – A housing unit that meets the requirements of
17 section 42 of the Code and is located in a development tier one or tier two
18 areas.

19 **SECTION 15A.(c)** The Housing Finance Agency shall make loans for funds
20 appropriated in this section to a taxpayer who is allocated a federal low-income housing tax
21 credit under section 42 of the Code to construct or substantially rehabilitate a qualified North
22 Carolina low-income housing development if the development is located in a development tier
23 one or tier two areas. The amount of the loan to the taxpayer shall equal the funds appropriated
24 in this section divided by the number of qualified residential units constructed or substantially
25 rehabilitated in the 2014-2015 fiscal year and then multiplied by the number of qualified
26 residential units constructed or substantially rehabilitated by the taxpayer in the 2014-2015
27 fiscal year.

28 **SECTION 15A.(d)** The Housing Finance Agency shall establish rules and
29 regulations, including terms and conditions, for making loans under this section. By September
30 1, 2014, and more frequently as requested, the Housing Finance Agency shall report to the Joint
31 Legislative Committee on Governmental Operations and the Fiscal Research Division
32 regarding the rules and regulations established pursuant to this subsection.
33

34 **PART XVI. OFFICE OF STATE BUDGET AND MANAGEMENT**

35
36 **USS NORTH CAROLINA BATTLESHIP CHALLENGE GRANT/OSBM-SPECIAL**
37 **APPROPRIATIONS**

38 **SECTION 16.1.(a)** Of the funds appropriated in this act to the Office of State
39 Budget and Management-Special Appropriations, the sum of three million dollars (\$3,000,000)
40 in nonrecurring funds for the 2014-2015 fiscal year shall be allocated to the Office of State
41 Budget and Management and transferred to the Department of Cultural Resources in order to
42 establish a Capital Improvement Project for the North Carolina Battleship in accordance with
43 this section. It is the intent of the General Assembly that the North Carolina Battleship
44 Commission raise at least five million dollars (\$5,000,000) in non-State funds for the
45 2014-2015 fiscal year. The North Carolina Battleship Commission cannot use funds transferred
46 from the organization's endowment to its operating budget to achieve the fund-raising targets
47 set out in subsection (b) of this section.

SECTION 16.1.(b) For the 2014-2015 fiscal year, the Department of Cultural Resources will establish a Capital Improvement Project to construct a cofferdam for the North Carolina Battleship that will enable completion of major hull repairs. Funds will be transferred to the Department of Cultural Resources from the Office of State Budget and Management as follows:

- (1) Upon raising the initial sum of three million dollars (\$3,000,000) in non-State funding, the sum of one million dollars (\$1,000,000) will be transferred.
- (2) Upon raising an additional sum of one million dollars (\$1,000,000) in non-State funding for a total amount of four million dollars (\$4,000,000) in non-State funds, the sum of one million dollars (\$1,000,000) will be transferred.
- (3) Upon raising an additional sum of one million dollars (\$1,000,000) in non-State funding for a total sum of five million dollars (\$5,000,000) in non-State funds, the final sum of one million dollars (\$1,000,000), for a total sum of three million dollars (\$3,000,000) will be transferred to the Capital Improvement Project for the North Carolina Battleship in the 2014-2015 fiscal year.

ECONOMIC DEVELOPMENT FUND/OSBM-SPECIAL APPROPRIATIONS

SECTION 16.2.(a) There is appropriated from the General Fund to the Office of State Budget and Management-Special Appropriations the sum of one million dollars (\$1,000,000) in nonrecurring funds for the 2014-2015 fiscal year for a working group established by the Governor to develop actionable recommendations to enhance the number and business activities of venture capital firms operating in North Carolina. Recommendations may include, but are not limited to, establishing a clearinghouse of information and support for prospective companies seeking venture capital. Recommendations which facilitate collaboration and commercialization of university expertise, capabilities, and technologies are expected. The group may also provide legislative recommendations that promote long-term job creation over product licensing arrangements.

SECTION 16.2.(b) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, grants shall be allocated to support pilot projects, implement programs, and fund recommendations of the working group. The State Budget Director must authorize each grant prior to allocation.

PART XVII. DEPARTMENT OF REVENUE

TAX INFORMATION MANAGEMENT SYSTEM

SECTION 17.1. Section 7.17(e) of S.L. 2013-360 reads as rewritten:

"SECTION 7.17.(e) Internal Costs. – For the ~~2013-2015~~2014-2015 fiscal ~~biennium-year~~ the Department of Revenue may retain an additional sum of ~~eight million eight hundred seventy four thousand three hundred nineteen dollars (\$8,874,319)~~ten million two hundred five thousand nine hundred forty-two dollars (10,205,942) 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. These funds shall be used as payment of internal costs for the 2014-2015 fiscal ~~biennium-year~~, and such funds are hereby appropriated for this purpose.

LOCATOR SERVICES

1 **SECTION 17.2.** G.S. 105-243.1(e)(3) reads as rewritten:

2 "(3) To pay for taxpayer locator services, not to exceed ~~one hundred fifty~~
3 ~~thousand dollars (\$150,000)~~ five hundred thousand dollars (\$500,000) a
4 year."

5
6 **ABC PERMIT/TAX COMPLIANCE PROGRAM**

7 **SECTION 17.3.(a)** G.S. 18B-900 reads as rewritten:

8 "**§ 18B-900. Qualifications for permit.**

9 (a) Requirements. – To be eligible to receive and to hold an ABC permit, a person
10 ~~shall~~ shall satisfy all of the following requirements:

- 11 (1) Be at least 21 years old, unless the person is a manager of a business selling
12 only malt beverages and unfortified wine, in which case the person shall be
13 at least 19 years ~~old~~; old.
- 14 (2) Be a resident of North Carolina unless:
- 15 a. He is an officer, director or stockholder of a corporate applicant or
16 permittee and is not a manager or otherwise responsible for the
17 day-to-day operation of the business; or
- 18 b. He has executed a power of attorney designating a qualified resident
19 of this State to serve as attorney in fact for the purposes of receiving
20 service of process and managing the business for which permits are
21 sought; or
- 22 c. He is applying for a nonresident malt beverage vendor permit, a
23 nonresident wine vendor permit, or a vendor representative
24 ~~permit~~; permit.
- 25 (3) Not have been convicted of a felony within three years, and, if convicted of a
26 felony before then, shall have had his citizenship ~~restored~~; restored.
- 27 (4) Not have been convicted of an alcoholic beverage offense within two
28 ~~years~~; years.
- 29 (5) Not have been convicted of a misdemeanor controlled substance offense
30 within two ~~years~~; and years.
- 31 (6) Not have had an alcoholic beverage permit revoked within three years,
32 except where the revocation was based solely on a permittee's failure to pay
33 the annual registration and inspection fee required in G.S. 18B-903(b1).
- 34 (7) Not have, whether as an individual or as an officer, director, shareholder or
35 manager of a corporate permittee, an unsatisfied outstanding final judgment
36 that was entered against him in an action under Article 1A of this Chapter.
- 37 (8) Be current in filing all applicable tax returns to the State and in payment of
38 all taxes, interest, and penalties that are collectible under G.S. 105-241.22.
39 The following ABC permits may be issued notwithstanding the requirements
40 of subdivision (8) of this section:
- 41 a. Special occasion permit under G.S. 18B-1001(8).
- 42 b. Limited special occasion permit under G.S. 18B-1001(9).
- 43 c. Special one-time permit under G.S. 18B-1002.
- 44 d. Temporary permit under G.S. 18B-905.

45 To avoid undue hardship, however, the Commission may decline to take action under
46 G.S. 18B-104 against a permittee who is in violation of subdivisions (3), (4), or (5).

47 ...

1 (f) Procedure to Confirm State Tax Compliance. – Upon request of the Commission,
2 the Department of Revenue must provide information to the Commission to confirm a person's
3 compliance with subdivision (a)(8) of this section. If the Department of Revenue notifies the
4 Commission that a person is not in compliance, then the Commission may not issue or renew
5 the person's permit until the Commission receives notice from the Department of Revenue that
6 the person is in compliance. The requirement to pay all taxes, interest, and penalties may be
7 satisfied by an operative agreement under G.S. 105-237 covering any amounts that are
8 collectible under G.S. 105-241.22. Chapter 150B of the General Statutes does not apply to a
9 Commission action on issuance, suspension, or revocation of an ABC permit under subdivision
10 (a)(8) of this section."

11 **SECTION 17.3.(b)** G.S. 18B-906(a) reads as rewritten:

12 (a) Act Applies. – An ABC permit is a "license" within the meaning of G.S. 150B-2,
13 and, except for revocation pursuant to ~~G.S. 18B-904(e)(3)~~, G.S. 18B-904(e)(3) or
14 G.S. 18B-900(a)(8), a Commission action on issuance, suspension, or revocation of an ABC
15 permit, other than a temporary permit issued under G.S. 18B-905, is a "contested case" subject
16 to the provisions of Chapter 150B except as provided in this section."

17 **SECTION 17.3.(c)** G.S. 105-259(b) is amended by adding a new subdivision to
18 read:

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

25 ...

26 (46) To provide the Alcoholic Beverage Control Commission the information
27 required under G.S. 18B-900."

28 **SECTION 17.3.(d)** This section is effective when it becomes law.

30 DEDUCTION FOR STATE NET LOSS

31 **SECTION 17.4.(a)** G.S. 105-130.5(b) reads as rewritten:

32 (b) The following deductions from federal taxable income shall be made in determining
33 State net income:

34 ...

35 (4) Losses in the nature of net economic losses sustained by the corporation in
36 any or all of the 15 preceding years pursuant to the provisions of
37 G.S. 105-130.8. A corporation required to allocate and apportion its net
38 income under the provisions of G.S. 105-130.4 shall deduct its allocable net
39 economic loss only from total income allocable to this State pursuant to the
40 provisions of G.S. 105-130.8. This subdivision expires for taxable years
41 beginning on or after January 1, 2030.

42 (4a) A State net loss as allowed under G.S. 105-130.8A. A corporation may
43 deduct its allocable and apportionable State net loss only from total income
44 allocable and apportionable to this State.

45 "

46 **SECTION 17.4.(b)** G.S. 105-130.8 is repealed.

47 **SECTION 17.4.(c)** Part 1 of Article 4 of Chapter 105 of the General Statutes is
48 amended by adding a new section to read:

"§ 105-130.8A. Net loss provisions.

(a) State Net Loss. – A taxpayer's State net loss for a taxable year is the amount by which allowable deductions for the year, other than prior year losses, exceed gross income under the Code for the year adjusted as provided in G.S. 105-130.5. In the case of a corporation that has income from business activity within and without this State, the loss must be allocated and apportioned to this State in the year of the loss in accordance with G.S. 105-130.4.

(b) Deduction. – A taxpayer may carry forward a State net loss the taxpayer incurred in a prior taxable year and deduct it in the current taxable year, subject to the following limitations:

(1) The loss was incurred in one of the preceding 15 taxable years.

(2) Any loss carried forward is applied to the next succeeding taxable year before any portion of it is carried forward and applied to a subsequent taxable year.

(c) Mergers and Acquisitions. – The Secretary must apply the standards contained in regulations adopted under sections 381 and 382 of the Code in determining the extent to which a loss survives a merger or an acquisition.

(d) Administration. – A taxpayer claiming a deduction under this section must maintain and make available for inspection by the Secretary all records necessary to determine and verify the amount of the deduction. The Secretary or the taxpayer may redetermine a loss originating in a taxable year that is closed under the statute of limitations for the purpose of determining the amount of loss that can be carried forward to a taxable year that remains open under the statute of limitations.

(e) Net Economic Loss Carryforward. – For taxable years beginning before January 1, 2015, a taxpayer is allowed a net economic loss as calculated under G.S. 105-130.8. In determining and verifying the amount of a net economic loss incurred or carried forward for taxable years beginning before January 1, 2015, the provisions of G.S. 105-130.8 apply. Any unused portion of a net economic loss carried forward to taxable years beginning on or after January 1, 2015, is administered in accordance with this section. This subsection expires for taxable years beginning on or after January 1, 2030."

SECTION 17.4.(d) This section becomes effective for taxable years beginning on or after January 1, 2015.

PART XVIII. DEPARTMENT OF TRANSPORTATION**REDIRECT NONADMINISTRATIVE INSPECTION TAX PROCEEDS TO THE LEAKING UNDERGROUND STORAGE TANK FUND****SECTION 18.1.** G.S. 119-18(b) reads as rewritten:

"(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 under the Department of Transportation in the highway maintenance program.~~ Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund. If the amount of revenue in the Noncommercial Fund at the end of a month is at least five million dollars (\$5,000,000), one-half of the remainder of the proceeds shall be credited to the Noncommercial Fund, and one-half of the remainder of the proceeds shall be credited to the Commercial Fund. If the amount of revenue in the Noncommercial Fund at the end of a month

1 is less than this threshold amount, all of the remainder of the proceeds shall be credited to the
2 Noncommercial Fund."

3
4 **REQUIREMENT FOR THE DEPARTMENT OF TRANSPORTATION TO SELL THE**
5 **SIKORSKY HELICOPTER**

6 **SECTION 18.2.(a)** The Department of Transportation shall sell the Sikorsky
7 S-76C+ helicopter as soon as practicable. Since the helicopter was originally purchased by the
8 Department of Commerce from General Fund appropriations, the net proceeds from the sale
9 shall be remitted to the State Treasurer for deposit into the General Fund.

10 **SECTION 18.2.(b)** A recurring appropriation from the Highway Fund of one
11 hundred fifty thousand dollars (\$150,000) for the 2014-2015 fiscal year is appropriated to the
12 Division of Aeronautics to contract for helicopter services on an as-needed basis for State
13 business.

14 **SECTION 18.2.(c)** This section is effective when it becomes law.

15
16 **AMENDMENT ENABLING REMOTE DRIVERS LICENSE RENEWALS**

17 **SECTION 18.3.** G.S. 20-7(f) is amended by adding a new subdivision to read:

18 "(f) Duration and Renewal of Licenses. – Drivers licenses shall be issued and renewed
19 pursuant to the provisions of this subsection:

20 ...

21 (6) Remote renewal of drivers license. –

22 a. Notwithstanding any other requirements of this Article, the Division
23 may offer remote renewal to a person residing in this State of a Class
24 C drivers license previously issued under subdivision (f)(2a) of this
25 section, provided that the license holder meets the following
26 requirements:

27 1. The license holder possesses a valid, unexpired Class C
28 drivers license and is otherwise eligible for renewal;

29 2. The license holder holds a license with no restrictions other
30 than a restriction for corrective lenses;

31 3. The license holder is able to attest to the following:

32 I. The license holder is a resident of the State and
33 currently resides at the address on the license to be
34 renewed;

35 II. The license holder's name as it appears on the license
36 to be renewed has not changed;

37 III. To all other information required by the Division for
38 an in-person renewal under this Article.

39 4. The most recent renewal was not a renewal under this
40 subsection.

41 b. Waiver of requirements. – When renewing a drivers license pursuant
42 to subdivision (f)(6), the Division may waive the examination and
43 photograph that would otherwise be required for the renewal.

44 c. Duration of remote renewal. – A renewed drivers license issued to a
45 person by remote renewal under this subsection expires four years
46 after the expiration date of the license that is renewed.

47 d. Manner of remote renewal. – The Division is authorized to process
48 remote renewals of drivers licenses by secure means approved by the

1 Commissioner, including, but not limited to, mail, telephone,
2 electronic or Internet, and automated self-service kiosks.
3 e. The Division may adopt rules to implement this section.
4 f. The Division is authorized to charge a service fee for remote renewal
5 of not more than five dollars (\$5.00)."
6

7 DEPARTMENT OF TRANSPORTATION SUPPLEMENTAL APPROPRIATION

8 SECTION 18.4. The North Carolina State Health Plan has chosen to forgo the
9 premium increase scheduled for January 2015. Therefore, the corresponding employer
10 contribution is reduced. The North Carolina Department of Transportation has an excess
11 appropriation of one million fifty thousand dollars (\$1,050,000) for the 2014-2015 fiscal year
12 which is no longer needed and shall be redirected and appropriated on a recurring basis to the
13 Department of Transportation General Maintenance Reserve.
14

15 PART XIX. OFFICE OF STATE HUMAN RESOURCES

16 17 AMEND EFFECTIVE DATE FOR ORGANIZATIONAL AND ADMINISTRATIVE 18 CHANGES RELATED TO THE OFFICE OF STATE HUMAN RESOURCES

19 SECTION 19.1. Section 1.5 of S.L. 2013-382 reads as rewritten:

20 "SECTION 1.5. This Part is effective when it becomes law. This Part becomes effective
21 July 1, 2015."
22

23 STREAMLINE HUMAN RESOURCES APPEALS PROCESS

24 SECTION 19.2.(a) G.S. 126-34.02 reads as rewritten:

25 "§ 126-34.02. Grievance appeal process; grounds

26 (a) Once a final agency decision has been issued in accordance with G.S. 126-34.01, an
27 applicant for State employment, a State employee, or former State employee may file a
28 ~~contested case in the Office of Administrative Hearings under Article 3 of Chapter 150B of the~~
29 ~~General Statutes~~ an appeal to the State Human Resources Commission. The Commission shall
30 appoint a hearing officer to make a complete record in the appeal. ~~The contested case appeal to~~
31 ~~the State Human Resources Commission must be filed within 30 days of receipt of the final~~
32 ~~agency decision. Except for cases of extraordinary cause shown, the Office of Administrative~~
33 ~~Hearings~~ the hearing officer shall hear and issue a final decision in accordance with
34 G.S. 150B-34 within 180 days within 90 days from the commencement of the ease appeal. In
35 deciding cases under this section, the ~~Office of Administrative Hearings~~ State Human
36 Resources Commission may grant the following relief:

- 37 (1) Reinstatement any employee to the position from which the employee has been
38 removed.
- 39 (2) Order the employment, promotion, transfer, or salary adjustment of any
40 individual to whom it has been wrongfully denied.
- 41 (3) Direct other suitable action to correct the abuse which may include the
42 requirement of payment for any loss of salary which has resulted from the
43 improper action of the appointing authority.

44 An aggrieved party in a contested case under this section shall be entitled to judicial review
45 of a final decision by appeal to the Court of Appeals as provided in G.S. 7A-29(a). The
46 procedure for the appeal shall be as provided by the rules of appellate procedure. The appeal
47 shall be taken within 30 days of receipt of the written notice of final decision. A notice of

1 appeal shall be filed with the ~~Office of Administrative Hearings~~ State Human Resources
2 Commission and served on all parties to the ~~contested case hearing~~ appeal.

3 ...

4 (c) Any issue for which an appeal to the ~~Office of Administrative Hearings~~ State
5 Human Resources Commission has not been specifically authorized by this section shall not be
6 grounds for a ~~contested case hearing~~ an appeal.

7 (d) In ~~contested cases~~ appeals conducted pursuant to this section, the burden of showing
8 that a career State employee was discharged, demoted, or suspended for just cause rests with
9 the employer. In all other contested cases, the burden of proof rests on the employee.

10 (e) The ~~Office of Administrative Hearings~~ State Human Resources Commission may
11 award attorneys' fees to an employee where reinstatement or back pay is ordered or where an
12 employee prevails in a whistleblower grievance. The remedies provided in this subsection in a
13 whistleblower appeal shall be the same as those provided in G.S. 126-87.

14 (f) The ~~Office of Administrative Hearings~~ Office of State Human Resources shall
15 report to the ~~Office of State Personnel~~ and the Joint Legislative Administrative Procedure
16 Oversight Committee on the number of cases filed under this section and on the number of days
17 between filing and closing of each case. The report shall be filed on a semiannual basis."

18 **SECTION 19.2.(b)** G.S. 126-34.2 reads as rewritten:

19 **"§ 126-34.2. Alternative dispute resolution.**

20 In its discretion, the Commission may adopt alternative dispute resolution procedures for
21 the resolution of matters constituting and not constituting grounds for a grievance under this
22 Article. Any matters not constituting grounds for an appeal under G.S. 126-34.02 shall not be
23 heard by the ~~Office of Administrative Hearings~~ as a contested case, State Human Resources
24 Commission."

25 **SECTION 19.2.(c)** G.S. 126-34.3 reads as rewritten:

26 **"§ 126-34.3. Judicial review of fee awards.**

27 With respect to a decision of the ~~Office of Administrative Hearings~~ State Human Resources
28 Commission assessing or refusing to assess reasonable witness fees or a reasonable attorneys'
29 fee, the decision shall be subject to judicial review in accordance with G.S. 126-34.02(a). The
30 reviewing court may reverse or modify the decision of the ~~Office of Administrative Hearings~~
31 State Human Resources Commission if the decision is unreasonable or the award is inadequate.
32 An employee who obtains a reversal or modification of the ~~Office of Administrative Hearings~~'
33 State Human Resources Commission's decision in an appeal under this section shall be entitled
34 to recover court costs and a reasonable attorneys' fee for representation in connection with the
35 appeal."

36 **SECTION 19.2.(d)** G.S. 126-35(a) reads as rewritten:

37 **"§ 126-35. Just cause; disciplinary actions for State employees.**

38 (a) No career State employee subject to the North Carolina Human Resources Act shall
39 be discharged, suspended, or demoted for disciplinary reasons, except for just cause. In cases of
40 such disciplinary action, the employee shall, before the action is taken, be furnished with a
41 statement in writing setting forth the specific acts or omissions that are the reasons for the
42 disciplinary action and the employee's appeal rights. The employee shall be permitted 15 days
43 from the date the statement is delivered to appeal to the head of the agency through the agency
44 grievance procedure for a final agency decision. However, an employee may be suspended
45 without warning for causes relating to personal conduct detrimental to State service, pending
46 the giving of written reasons, in order to avoid undue disruption of work or to protect the safety
47 of persons or property or for other serious reasons. If the employee is not satisfied with the final
48 agency decision or is unable, within a reasonable period of time, to obtain a final agency

1 decision, the employee may appeal to the ~~Office of Administrative Hearings.~~ State Human
 2 Resources Commission. Such appeal shall be filed not later than 30 days after receipt of notice
 3 of the final agency decision. The State Human Resources Commission may adopt, subject to
 4 the approval of the Governor, rules that define just cause."
 5

6 **NC OFFICE OF STATE HUMAN RESOURCES**

7 **SECTION 19.3.(a)** G.S. 150B-2(8a) reads as rewritten:

8 "(8a) "Rule" means any agency regulation, standard, or statement of general
 9 applicability that implements or interprets an enactment of the General
 10 Assembly or Congress or a regulation adopted by a federal agency or that
 11 describes the procedure or practice requirements of an agency. The term
 12 includes the establishment of a fee and the amendment or repeal of a prior
 13 rule. The term does not include the following:

14 a. Statements concerning only the internal management of an agency or
 15 group of agencies within the same principal office or department
 16 enumerated in G.S. 143A-11 or 143B-6, including policies and
 17 procedures manuals, if the statement does not directly or
 18 substantially affect the procedural or substantive rights or duties of a
 19 person not employed by the agency or group of ~~agencies.~~ agencies,
 20 including job classification standards, job qualifications, and salaries
 21 established for positions under the jurisdiction of the State Human
 22 Resources Commission.

23 ...

24 i. ~~Job classification standards, job qualifications, and salaries~~
 25 ~~established for positions under the jurisdiction of the State Human~~
 26 ~~Resources Commission.~~

27"

28 **SECTION 19.3.(b)** G.S. 126-5(e) reads as rewritten:

29 "(e) An exempt employee may be transferred, demoted, or separated from his or her
 30 position by the department head authorized to designate the exempt position except:

31 (1) When an employee who has the minimum service requirements described in
 32 G.S. 126-1.1 but less than 10 years of cumulative ~~service~~ service, including
 33 the immediately preceding 12 months, in subject positions prior to
 34 placement in an exempt position is removed from an exempt position, for
 35 reasons other than just cause, the employee shall have priority to any
 36 position that becomes available for which the employee is qualified,
 37 according to rules and regulations regulating and defining priority as
 38 promulgated by the State Human Resources Commission; or

39 (2) When an employee who has 10 years or more cumulative service, including
 40 the immediately preceding 12 months, in subject positions prior to
 41 placement in an exempt position is removed from an exempt position, for
 42 reasons other than just cause, the employee shall be reassigned to a subject
 43 position within the same department or agency, or if necessary within
 44 another agency, ~~and within a 35-mile radius of the exempt position,~~ at the
 45 same grade and salary, including all across-the-board increases since
 46 placement in the position designated as exempt, as his most recent subject
 47 position.

(3) When an employee who has 10 years or more cumulative service as a career State employee as defined in G.S. 126-1.1, moves from one exempt position covered by this subsection to another exempt position covered by this subsection without a break in service, and that employee is later removed from the last 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, at the same grade and salary as his most recent subject position, including all across-the-board increases since placement in the position designated as exempt."

SECTION 19.3.(c) Section 8.3 of S.L. 2013-382 is hereby amended to read as follows:

"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,~~ January 31, 2015, April 30, 2015, and September 1, 2015."

PART XX. INFORMATION TECHNOLOGY SERVICES

UNMANNED AIRCRAFT

SECTION 20.1. 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."

STRATEGIC PLAN FOR A STATEWIDE ENTERPRISE RESOURCE PLANNING SYSTEM

SECTION 20.2.(a) Of the nine million dollars (\$9,000,000) in nonrecurring funds appropriated and placed in a special information technology fund in fiscal year 2013-2014 to the Department of Public Safety for an Enterprise Resource Planning System, seven million dollars (\$7,000,000) shall revert to the General Fund on June 30, 2014. The remaining two million dollars (\$2,000,000) shall be transferred to the Information Technology Fund. These funds shall be used by the State Chief Information Officer, in conjunction with the NC Government Efficiency and Reform Initiative (NC GEAR), and the State Controller to develop a strategic implementation plan for a Statewide Enterprise Resource Planning System. The plan will be submitted to the Joint Legislative Oversight Committee on Information Technology by January 31, 2015.

1 **SECTION 20.2.(b)** This section becomes effective June 30, 2014.

2
3 **PART XXI. SALARIES AND BENEFITS**

4
5 **GOVERNOR AND COUNCIL OF STATE**

6 **SECTION 21.1.(a)** Effective for the 2014-2015 fiscal year, the annual salary of the
7 Governor set by G.S. 147-11(a) shall be set at the amount of one hundred forty-two thousand
8 seventy-four dollars (\$142,074).

9 **SECTION 21.1.(b)** Effective for the 2014-2015 fiscal year, the annual salaries for
10 members of the Council of State, payable monthly, shall be set as follows:

11 Council of State	Annual Salary
12 Lieutenant Governor	\$ 125,485
13 Attorney General	125,485
14 Secretary of State	125,485
15 State Treasurer	125,485
16 State Auditor	125,485
17 Superintendent of Public Instruction	125,485
18 Agriculture Commissioner	125,485
19 Insurance Commissioner	125,485
20 Labor Commissioner	125,485

21
22 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

23 **SECTION 21.2.** Effective for the 2014-2015 fiscal year, the annual salaries,
24 payable monthly, for the following executive branch officials shall be set as follows:

25 Executive Branch Officials	Annual Salary
26 Chairman, Alcoholic Beverage Control Commission	\$ 111,677
27 State Controller	155,968
28 Commissioner of Banks	125,485
29 Chair, Board of Review, Division of Employment Security	123,064
30 Members, Board of Review, Division of Employment Security	121,546
31 Chairman, Parole Commission	102,044
32 Members of the Parole Commission	94,273
33 Chairman, Utilities Commission	139,658
34 Members of the Utilities Commission	125,485
35 Executive Director, North Carolina	
36 Agricultural Finance Authority	108,724

37
38 **JUDICIAL BRANCH**

39 **SECTION 21.3.(a)** Effective for the 2014-2015 fiscal year, the annual salaries,
40 payable monthly, for specified judicial branch officials shall be set as follows:

41 Judicial Branch Officials	Annual Salary
42 Chief Justice, Supreme Court	\$ 143,432
43 Associate Justice, Supreme Court	139,705
44 Chief Judge, Court of Appeals	137,491
45 Judge, Court of Appeals	133,918
46 Judge, Senior Regular Resident Superior Court	130,301
47 Judge, Superior Court	126,684
48 Chief Judge, District Court	115,110

1	Judge, District Court	111,493
2	District Attorney	121,546
3	Administrative Officer of the Courts	129,068
4	Assistant Administrative Officer of the Courts	117,961
5	Public Defender	121,546
6	Director of Indigent Defense Services	125,307

7 **SECTION 21.3.(b)** Effective for the 2014-2015 fiscal year, the annual salaries of
 8 employees of the Judicial Department shall be set as follows:

- 9 (1) The annual salaries of permanent full-time and part-time employees of the
 10 Judicial Department whose salaries are not itemized in this act shall be
 11 increased by eight hundred nine dollars (\$809.00).
- 12 (2) Notwithstanding anything to the contrary, the annual salaries of clerks of
 13 superior court under G.S. 7A-101(a) shall not change when a county changes
 14 from one population group to another.

15 **SECTION 21.3.(c)** Notwithstanding any other provision of law, magistrates and
 16 assistant and deputy clerks of courts under G.S. 7A-171.1 and G.S. 7A-102 shall receive the
 17 following salary increases, effective July 1, 2014:

- 18 (1) Any magistrate or assistant or deputy clerk who is eligible to receive a step
 19 increase on June 30, 2014, shall receive a step increase effective July 1,
 20 2014.
- 21 (2) For any permanent full-time magistrate or assistant or deputy clerk who is
 22 not eligible to receive a step increase on June 30, 2014, the salary in effect
 23 June 30, 2014, shall be increased by eight hundred nine dollars (\$809.00),
 24 effective July 1, 2014.
- 25 (3) For any part-time magistrate or assistant or deputy clerk who is not eligible
 26 to receive a step increase on June 30, 2014, the salary in effect June 30,
 27 2014, shall be increased by a proportionate amount of the eight hundred nine
 28 dollars (\$809.00) based on the number of hours worked, effective July 1,
 29 2014.

30 **SECTION 21.3.(d)** G.S. 7A-102(c1) reads as rewritten:

31 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy
 32 clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the
 33 following minimum and maximum rates:

34	Assistant Clerks and Head Bookkeeper	Annual Salary
35	Minimum	\$32,609 <u>\$33,418</u>
36	Maximum	55,424 <u>\$56,233</u>
37	Deputy Clerks	Annual Salary
38	Minimum	\$28,223 <u>\$29,032</u>
39	Maximum	43,107. <u>\$43,916.</u> "

40 **SECTION 21.3.(e)** G.S. 7A-171.1(a)(1) reads as rewritten:

- 41 (1) A full-time magistrate shall be paid the annual salary indicated in the table
 42 set out in this subdivision. A full-time magistrate is a magistrate who is
 43 assigned to work an average of not less than 40 hours a week during the term
 44 of office. The Administrative Officer of the Courts shall designate whether a
 45 magistrate is full-time. Initial appointment shall be at the entry rate. A
 46 magistrate's salary shall increase to the next step every two years on the
 47 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 \$33,834
Step 1	35,951
Step 2	39,135
Step 3	42,640
Step 4	46,551
Step 5	50,959
Step 6	55,901 55,901
<u>Maximum Rate</u>	<u>56,710."</u>

LEGISLATIVE BRANCH

SECTION 21.4. Effective upon the convening of the 2015 General Assembly, the salaries of members and officers of the General Assembly shall be increased by eight hundred nine (\$809.00), in addition to the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.

Effective for the 2014-2015 fiscal year, salaries in the legislative branch shall be set as follows:

- (1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall be increased by eight hundred nine dollars (\$809.00).
- (2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall be increased by eight hundred nine dollars (\$809.00).
- (3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall be increased by eight hundred nine dollars (\$809.00).

COMMUNITY COLLEGES PERSONNEL

SECTION 21.5.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall be increased by \$809 for the 2014-2015 fiscal year.

SECTION 21.5.(b) For the 2014-2015 fiscal year, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall be increased by eight hundred nine dollars (\$809.00). The minimum salaries for nine-month, full-time curriculum community college faculty shall be set as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	\$35,123
Associate Degree or Equivalent	35,628
Bachelor's Degree	37,818
Masters Degree or Education Specialist	39,761
Doctoral Degree	42,562

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 21.6.(a) The annual salaries of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Mathematics shall be increased by eight hundred nine dollars (\$809.00) for the 2014-2015 fiscal year.

SECTION 21.6.(b) The annual salaries of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall be increased by eight hundred nine dollars (\$809.00) for the 2014-2015 fiscal year.

MOST STATE EMPLOYEES

SECTION 21.7.(a) For the 2014-2015 fiscal year, unless otherwise specified in this act, the salaries in effect June 30, 2014, for the following employees shall be increased by eight hundred nine dollars (\$809.00), effective July 1, 2014:

- (1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Personnel Act.
- (2) Permanent full-time State officials and persons in positions exempt from the State Personnel Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees.

SECTION 21.7.(b) For the 2014-15 fiscal year, the rate of pay for temporary State employees and permanent hourly State employees may be increased on an equitable basis (i) subject to the availability of funds in the employing State agency, department, or institution and (ii) within regular State Budget Act procedures consistent with this act.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 21.8.(a) Increases to salaries and related benefits authorized under this act for the 2014-2015 fiscal year are appropriated directly to the departments and agencies as herein described. Any unexpended salary and related benefits balances shall be returned to the Office of State Budget and Management by December 31, 2014, and transferred to a Statewide Reserve. The Director of the Budget shall transfer from the Statewide Reserve for the 2014-2015 fiscal year any additional funds necessary for the salary increases provided by this Act, including funds for the employers' retirement and social security contributions.

SECTION 21.8.(b) Salaries and related benefits for positions that are funded 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. Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 21.8.(c) The 2014-2015 fiscal year salary increases provided in this act are to be 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 21.8.(d) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

SECTION 21.8.(e) Payroll for employees on or after July 1, 2014, which represent payment of services provided prior to these increases shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from

1 the State Personnel Act, paid from State funds, including public schools, community colleges,
2 and The University of North Carolina.

3 **SECTION 21.8.(f)** Except as otherwise provided by this act, for the 2014-2015
4 fiscal year, permanent full-time State agency employees and State-funded public school
5 employees who work a nine-, 10-, or 11-month work year schedule shall receive the eight
6 hundred nine dollar (\$809.00) annual increase provided by this act.
7

8 **SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC**
9 **INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT**
10 **PROHIBITED**

11 **SECTION 21.9.(a)** The annual salaries of all employees subject to or exempt from
12 the State Personnel Act, including employees of local boards of education, community
13 colleges, and The University of North Carolina, for the 2014-2015 fiscal year shall be increased
14 by eight hundred nine dollars (\$809.00) from that authorized on June 30, 2014, or the last date
15 in pay status during the 2013-2014 fiscal year, if earlier.

16 **SECTION 21.9.(b)** Section 35.8 of S.L. 2013-360 reads as rewritten:

17 **"SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC**
18 **INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT**
19 **PROHIBITED**

20 ...
21 **"SECTION 35.8.(b)** Salary increases may be awarded during the ~~2013-2015 fiscal~~
22 ~~biennium-2013-2014 fiscal year~~ under this section only for the following special circumstances:

- 23 (1) For all State employees regardless of funding source, and for employees of
24 the North Carolina Community College System and local school boards who
25 are paid from State funds, salaries may be increased for reallocations or
26 promotions, in-range adjustments for job change, career progression
27 adjustments for demonstrated competencies, or any other adjustment related
28 to an increase in job duties or responsibilities, none of which are subject to
29 the salary freeze otherwise provided by this Part. All other salary increases
30 are prohibited.
- 31 (1a) For employees of the North Carolina Community College System,
32 notwithstanding subdivision (1) of this subsection, salaries may be increased
33 if the increase is (i) funded from local funding sources or (ii) for the
34 purposes of retention or equity.
- 35 (2) For The University of North Carolina, (i) faculty using funds from the
36 Faculty Recruiting and Retention Fund, the Distinguished Professors
37 Endowment Fund, or the University Cancer Research Fund in the case of
38 faculty involved in cancer research supported by that fund; (ii) faculty,
39 nonfaculty, and other employee adjustments, including retention
40 adjustments, funded from non-State funding sources; (iii) faculty,
41 nonfaculty, and other employees for the purposes of retention or equity.
- 42 (3) For employees of the judicial branch, for local supplementation as
43 authorized by G.S. 7A-300.1.

44 ~~The cumulative salary adjustment allowed under this subsection for each fiscal year during~~
45 ~~the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if the~~
46 ~~adjustment is approved in advance by the Office of State Budget and Management, The~~
47 ~~University of North Carolina Board of Governors, the Board of the North Carolina Community~~

1 ~~College System, the Legislative Services Commission, the local board of education, or other~~
2 ~~authorized body as appropriate.~~

3 "SECTION 35.8.(b1) Salary increases may be awarded during the 2014-2015 fiscal year
4 under this section only for the following special circumstances:

5 (1) For all State employees regardless of funding source, and for employees of
6 the North Carolina Community College System and local school boards who
7 are paid from State funds, salaries may be increased for reallocations or
8 promotions, in-range adjustments for job change, labor market, or equity,
9 career progression adjustments for increased demonstrated competencies,
10 labor market, or retention, or any other adjustment related to an increase in
11 job duties or responsibilities, none of which are subject to the salary freeze
12 otherwise provided by this Part. All other salary increases are prohibited.

13 (1a) For employees of the North Carolina Community College System,
14 notwithstanding subdivision (1) of this subsection, salaries may be increased
15 if the increase is (i) funded from local funding sources or (ii) for the
16 purposes of retention, labor market, or equity.

17 (2) For The University of North Carolina, (i) faculty using funds from the
18 Faculty Recruiting and Retention Fund, the Distinguished Professors
19 Endowment Fund, or the University Cancer Research Fund in the case of
20 faculty involved in cancer research supported by that fund; (ii) faculty,
21 nonfaculty, and other employee adjustments, including retention
22 adjustments, funded from non-State funding sources; and (iii) faculty,
23 nonfaculty, and other employees for the purposes of retention, labor market,
24 or equity.

25 (3) For employees of the judicial branch, for local supplementation as
26 authorized by G.S. 7A-300.1.

27 "SECTION 35.8.(b2) The cumulative salary adjustment allowed under subsections (b) and
28 (b1) of this section for each fiscal year during the 2013-2015 fiscal biennium may exceed ten
29 percent (10%) of annual salary only if the adjustment is approved in advance by the Office of
30 State Budget and Management, The University of North Carolina Board of Governors, the
31 Board of the North Carolina Community College System, the Legislative Services
32 Commission, the local board of education, or other authorized body as appropriate.

33"

34 **SECTION 21.9.(c)** G.S. 20-187.3(a) reads as rewritten:

35 "(a) The Secretary of Public Safety shall not make or permit to be made any order, rule,
36 or regulation requiring the issuance of any minimum number of traffic citations, or ticket
37 quotas, by any member or members of the State Highway Patrol. Pay and promotions of
38 members of the Highway Patrol shall be based on their overall job performance and not on the
39 basis of the volume of citations issued or arrests made. Members of the Highway Patrol shall be
40 subject to salary classes, ranges and longevity pay for service as are applicable to other State
41 employees generally. ~~Beginning July 1, 1985, and annually thereafter, each member of the~~
42 ~~Highway Patrol shall be granted a salary increase in an amount corresponding to the increments~~
43 ~~between steps within the salary range established for the class to which the member's position~~
44 ~~is assigned by the State Human Resources Commission, not to exceed the maximum of each~~
45 ~~applicable salary range.~~

46 Effective for the 2014-2015 fiscal year, the annual salaries for members of the State
47 Highway Patrol who are not at the top of their pay range shall receive the following percentage

1 increase according to the date they received sworn law enforcement officer status with the
 2 Patrol:

<u>Sworn Date</u>	<u>Percent Increase</u>
<u>11/9/12 to 6/30/14</u>	<u>5%</u>
<u>3/13/08 to 9/16/11</u>	<u>4.5%</u>
<u>Prior to 1/1/05 to 11/29/07</u>	<u>4%."</u>

7
 8 **TEACHER SALARY SCHEDULES**

9 **SECTION 21.10.(a)** The following monthly salary schedules shall apply for the
 10 2014-2015 fiscal year to certified personnel of the public schools who are classified as teachers.
 11 The schedules contain 37 steps, with each step corresponding to one year of teaching
 12 experience. Public school employees paid according to this salary schedule and receiving
 13 NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the
 14 appropriate increase in salary.

15 2014-2015 Monthly Salary Schedule

16 "A" Teachers

Years of Experience	"A" Teachers	NBPTS Certification
0-2	\$3,300	N/A
3-5	\$3,300	\$3,696
6	\$3,300	\$3,696
7	\$3,300	\$3,696
8	\$3,303	\$3,699
9	\$3,445	\$3,858
10	\$3,580	\$4,010
11	\$3,711	\$4,156
12	\$3,816	\$4,274
13	\$3,891	\$4,358
14	\$3,940	\$4,413
15	\$3,991	\$4,470
16	\$4,041	\$4,526
17	\$4,093	\$4,584
18	\$4,145	\$4,642
19	\$4,199	\$4,703
20	\$4,254	\$4,764
21	\$4,310	\$4,827
22	\$4,366	\$4,890
23	\$4,426	\$4,957
24	\$4,485	\$5,023
25	\$4,545	\$5,090
26	\$4,607	\$5,160
27	\$4,670	\$5,230
28	\$4,737	\$5,305
29	\$4,802	\$5,378
30	\$4,868	\$5,452
31	\$4,935	\$5,527
32	\$5,005	\$5,606
33	\$5,077	\$5,686
34	\$5,150	\$5,768

1	35	\$5,215	\$5,841
2	36+	\$5,318	\$5,956
3			
4	2014-2015 Monthly Salary Schedule		
5	"M" Teachers		
6	Years of Experience	"M" Teachers	NBPTS Certification
7	0-2	\$3,630	N/A
8	3-5	\$3,630	\$4,066
9	6	\$6,630	\$4,066
10	7	\$3,630	\$4,066
11	8	\$3,633	\$4,069
12	9	\$3,790	\$4,245
13	10	\$3,938	\$4,411
14	11	\$4,082	\$4,572
15	12	\$4,198	\$4,702
16	13	\$4,280	\$4,794
17	14	\$4,334	\$4,854
18	15	\$4,390	\$4,917
19	16	\$4,445	\$4,978
20	17	\$4,502	\$5,042
21	18	\$4,560	\$5,107
22	19	\$4,619	\$5,173
23	20	\$4,679	\$5,240
24	21	\$4,741	\$5,310
25	22	\$4,803	\$5,379
26	23	\$4,869	\$5,453
27	24	\$4,934	\$5,526
28	25	\$5,000	\$5,600
29	26	\$5,068	\$5,676
30	27	\$5,137	\$5,753
31	28	\$5,211	\$5,836
32	29	\$5,282	\$5,916
33	30	\$5,355	\$5,998
34	31	\$5,429	\$6,080
35	32	\$5,506	\$6,167
36	33	\$5,585	\$6,255
37	34	\$5,665	\$6,345
38	35	\$5,737	\$6,425
39	36+	\$5,850	\$6,552

SECTION 21.10.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 21.10.(c) Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for DRS35537-MDfa-117 (05/13)

certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 21.10.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 10, corresponding to 10 years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Effective July 1, 2014, any school psychologist paid on years 0-4 on the State Salary Schedule in the 2013-2014 school year and employed on July 1, 2014, shall receive a nonrecurring salary bonus of eight hundred nine dollars (\$809.00). Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists 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 certified psychologists.

SECTION 21.10.(e) Speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists 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 speech pathologists and audiologists.

SECTION 21.10.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 21.10.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 21.11.(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	-	-	-	-

1	12	\$4,240	-	-	-	-
2	13	\$4,323	\$4,323	-	-	-
3	14	\$4,377	\$4,377	-	-	-
4	15	\$4,434	\$4,434	\$4,489	-	-
5	16	\$4,489	\$4,489	\$4,547	-	-
6	17	\$4,547	\$4,547	\$4,606	\$4,665	-
7	18	\$4,606	\$4,606	\$4,665	\$4,726	\$4,788
8	19	\$4,665	\$4,665	\$4,726	\$4,788	\$4,851
9	20	\$4,726	\$4,726	\$4,788	\$4,851	\$4,918
10	21	\$4,788	\$4,788	\$4,851	\$4,918	\$4,983
11	22	\$4,851	\$4,851	\$4,918	\$4,983	\$5,050
12	23	\$4,918	\$4,918	\$4,983	\$5,050	\$5,119
13	24	\$4,983	\$4,983	\$5,050	\$5,119	\$5,188
14	25	\$5,050	\$5,050	\$5,119	\$5,188	\$5,263
15	26	\$5,119	\$5,119	\$5,188	\$5,263	\$5,335
16	27	\$5,188	\$5,188	\$5,263	\$5,335	\$5,409
17	28	\$5,263	\$5,263	\$5,335	\$5,409	\$5,483
18	29	\$5,335	\$5,335	\$5,409	\$5,483	\$5,561
19	30	\$5,409	\$5,409	\$5,483	\$5,561	\$5,641
20	31	\$5,483	\$5,483	\$5,561	\$5,641	\$5,722
21	32	\$5,561	\$5,561	\$5,641	\$5,722	\$5,794
22	33	\$5,641	\$5,641	\$5,722	\$5,794	\$5,909
23	34	\$5,722	\$5,722	\$5,794	\$5,909	\$6,027
24	35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148
25	36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271
26	37	-	\$6,027	\$6,148	\$6,271	\$6,396
27	38	-	-	\$6,271	\$6,396	\$6,524
28	39	-	-	\$6,396	\$6,524	\$6,654
29	40	-	-	-	\$6,654	\$6,787
30	41	-	-	-	\$6,787	\$6,923
31	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

1	31	\$5,794	\$5,909	\$6,148	\$6,271
2	32	\$5,909	\$6,027	\$6,271	\$6,396
3	33	\$6,027	\$6,148	\$6,396	\$6,524
4	34	\$6,148	\$6,271	\$6,524	\$6,654
5	35	\$6,271	\$6,396	\$6,654	\$6,787
6	36	\$6,396	\$6,524	\$6,787	\$6,923
7	37	\$6,524	\$6,654	\$6,923	\$7,061
8	38	\$6,654	\$6,787	\$7,061	\$7,202
9	39	\$6,787	\$6,923	\$7,202	\$7,346
10	40	\$6,923	\$7,061	\$7,346	\$7,493
11	41	\$7,061	\$7,202	\$7,493	\$7,643
12	42	\$7,202	\$7,346	\$7,643	\$7,796
13	43	\$7,346	\$7,493	\$7,796	\$7,952
14	44	-	\$7,643	\$7,952	\$8,111
15	45	-	\$7,796	\$8,111	\$8,273
16	46+	-	-	\$8,273	\$8,438

SECTION 21.11.(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 21.11.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. 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 21.11.(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.

1 **SECTION 21.11.(e)** Longevity pay for principals and assistant principals shall be
2 as provided for State employees under the State Personnel Act.

3 **SECTION 21.11.(f)** If a principal is reassigned to a higher job classification
4 because the principal is transferred to a school within a local school administrative unit with a
5 larger number of State-allotted teachers, the principal shall be placed on the salary schedule as
6 if the principal had served the principal's entire career as a principal at the higher job
7 classification.

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

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

16 **SECTION 21.11.(g)** Participants in an approved full-time masters in-school
17 administration program shall receive up to a 10-month stipend at the beginning salary of an
18 assistant principal during the internship period of the masters program. The stipend shall not
19 exceed the difference between the beginning salary of an assistant principal plus the cost of
20 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
21 including awards of the Principal Fellows Program. The Principal Fellows Program or the
22 school of education where the intern participates in a full-time masters in-school administration
23 program shall supply the Department of Public Instruction with certification of eligible
24 full-time interns.

25 **SECTION 21.11.(h)** During the 2013-2015 fiscal biennium, the placement on the
26 salary schedule of an administrator with a one-year provisional assistant principal's certificate
27 shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher
28 salary schedule, whichever is higher.

29 **SECTION 21.11.(i)** Effective July 1, 2014, any assistant principal paid on years
30 0-8 on the State Salary Schedule in the 2013-2014 school year and employed on July 1, 2014,
31 shall receive a nonrecurring salary bonus of eight hundred nine dollars (\$809.00).
32

33 **CENTRAL OFFICE SALARIES**

34 **SECTION 21.12.(a)** The monthly salary ranges that follow, which apply to
35 assistant superintendents, associate superintendents, directors/coordinators, supervisors, and
36 finance officers, shall be set as follows for the 2014-2015 fiscal year, beginning July 1, 2014.

37	School Administrator I	\$3,417	\$6,349
38	School Administrator II	\$3,618	\$6,730
39	School Administrator III	\$3,837	\$7,136
40	School Administrator IV	\$3,988	\$7,417
41	School Administrator V	\$4,146	\$7,715
42	School Administrator VI	\$4,394	\$8,177
43	School Administrator VII	\$4,568	\$8,504

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

1 **SECTION 21.12.(b)** The monthly salary ranges that follow, which apply to public
2 school superintendents, shall be set as follows for the 2014-2015 fiscal year, beginning July 1,
3 2014.

4	Superintendent I	\$4,845	\$9,017
5	Superintendent II	\$5,139	\$9,558
6	Superintendent III	\$5,448	\$10,135
7	Superintendent IV	\$5,778	\$10,747
8	Superintendent V	\$6,128	\$11,398

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

13 **SECTION 21.12.(c)** Longevity pay for superintendents, assistant superintendents,
14 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
15 provided for State employees under the State Personnel Act.

16 **SECTION 21.12.(d)** Superintendents, assistant superintendents, associate
17 superintendents, directors/coordinators, supervisors, and finance officers with certification
18 based on academic preparation at the six-year degree level shall receive a salary supplement of
19 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
20 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
21 directors/coordinators, supervisors, and finance officers with certification based on academic
22 preparation at the doctoral degree level shall receive a salary supplement of two hundred
23 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
24 section.

25 **SECTION 21.12.(e)** The State Board of Education shall not permit local school
26 administrative units to transfer State funds from other funding categories for salaries for public
27 school central office administrators.

28 **SECTION 21.12.(f)** The salaries of all permanent, full-time personnel paid from
29 the Central Office Allotment shall be increased by eight hundred nine dollars (\$809.00) for the
30 2014-2015 fiscal year, effective July 1, 2014.

31 32 **NONCERTIFIED PERSONNEL SALARIES**

33 **SECTION 21.13.** The annual salary for permanent, full-time and part-time
34 noncertified public school employees whose salaries are supported from the State's General
35 Fund shall be increased by eight hundred nine dollars (\$809.00) for the 2014-2015 fiscal year,
36 effective July 1, 2014.

37 38 **SALARY-RELATED CONTRIBUTIONS**

39 **SECTION 21.14.(a)** Effective for the 2013-2015 fiscal biennium, required
40 employer salary-related contributions for employees whose salaries are paid from department,
41 office, institution, or agency receipts shall be paid from the same source as the source of the
42 employee's salary. If an employee's salary is paid in part from the General Fund or Highway
43 Fund and in part from department, office, institution, or agency receipts, required employer
44 salary-related contributions may be paid from the General Fund or Highway Fund only to the
45 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
46 salary of the employee, and the remainder of the employer's requirements shall be paid from the
47 source that supplies the remainder of the employee's salary. The requirements of this section as
48 to source of payment are also applicable to payments on behalf of the employee for hospital

1 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'
2 compensation, severance pay, separation allowances, and applicable disability income benefits.

3 Notwithstanding any other provision of law, an employing unit, as defined in
4 G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly
5 retirement benefits from any retirement system supported in whole or in part by contributions
6 of the State shall enroll the retiree in the active group and pay the cost for the hospital medical
7 benefits if that retiree is employed in a position that would require the employer to pay hospital
8 medical benefits if the individual had not been retired.

9 **SECTION 21.14.(b)** Effective July 1, 2014, the State's employer contribution rates
10 budgeted for retirement and related benefits as a percentage of covered salaries for the
11 2014-2015 fiscal year are (i) fourteen and seventy-six hundredths percent (14.76%) – Teachers
12 and State Employees; (ii) nineteen and seventy-six hundredths percent (19.76%) – State Law
13 Enforcement Officers; (iii) twelve and sixty-eight hundredths percent (12.68%) – University
14 Employees' Optional Retirement Program; (iv) twelve and sixty-eight hundredths percent
15 (12.68%) – Community College Optional Retirement Program; (v) thirty-three and forty-eight
16 hundredths percent (33.48%) – Consolidated Judicial Retirement System; and (vi) five and
17 forty hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing
18 contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical
19 benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers,
20 University Employees' Optional Retirement Program, and the Community College Optional
21 Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income
22 Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include
23 sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law
24 Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The
25 rate for Teachers and State Employees and State Law Enforcement Officers includes one
26 hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

27 **SECTION 21.14.(c)** Effective July 1, 2013, the maximum annual employer
28 contributions, payable monthly, by the State for each covered employee or retiree for the
29 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i)
30 Medicare-eligible employees and retirees – four thousand one hundred seven dollars (\$4,107)
31 and (ii) non-Medicare-eligible employees and retirees – five thousand two hundred eighty-five
32 dollars (\$5,285).

33 **SECTION 21.14.(d)** Effective July 1, 2014, the maximum annual employer
34 contributions, payable monthly, by the State for each covered employee or retiree for the
35 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i)
36 Medicare-eligible employees and retirees – four thousand one hundred seventy-nine dollars
37 (\$4,179) and (ii) non-Medicare-eligible employees and retirees – five thousand three hundred
38 seventy-eight dollars (\$5,378).

39
40 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS'**
41 **AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL**
42 **RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

43 **SECTION 21.15.(a)** G.S. 135-5 is amended by adding a new subsection to read:

44 "(ttt) From and after July 1, 2014, the retirement allowance to or on account of
45 beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by one
46 and nine-tenths percent (1.9%) of the allowance payable on June 1, 2014, in accordance with
47 G.S. 135-5(o). Furthermore, from and after July 1, 2014, the retirement allowance to or on
48 account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30,

2014, shall be increased by a prorated amount of one and nine-tenths percent (1.9%) 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 21.15.(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 and nine-tenths percent (1.9%) 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 and nine-tenths percent (1.9%) 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 21.15.(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 and nine-tenths percent (1.9%) 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 and nine-tenths percent (1.9%) 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."

SUPPLEMENTAL APPROPRIATIONS

SECTION 21.16. The North Carolina State Health Plan has chosen to forgo the premium increase scheduled for January 2015. Therefore, the corresponding employer contribution is reduced. Of the eighty-nine million dollars (\$89,000,000) appropriated for the State Health Plan in S.L. 2013-360 as contributions for the 2014-2015 fiscal year, twenty-two million dollars (\$22,000,000) in recurring funds is no longer needed and shall be redirected and appropriated on a nonrecurring basis according to the following schedule:

01. One NC Fund investments in Job Creating Businesses	\$10,000,000
02. Severance Reserve	2,000,000
03. Rural Infrastructure Grants	2,000,000
04. Research Triangle Institute Funding	500,000
05. UNC Game Changing Research	2,000,000
06. Medical Examiner Training & Certification	1,000,000
07. NC Symphony Challenge Grant	500,000
08. Distinguished Leadership in Practice	500,000
09. Housing Finance Agency Low-Income Housing Loan Program	2,000,000
10. Economic Development Fund/OSBM-Special Appropriation	1,000,000
11. ABC Underage Drinking Program	500,000
Total Supplemental Appropriations	\$22,000,000

PART XXII. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 22.1. The appropriations made by the 2013 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 22.2.(a) Section 36.2 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	-
<u>Oregon Inlet Task Force</u>		<u>500,000</u>
<u>Project Phoenix</u>		<u>100,000</u>
<u>Department of Agriculture and Consumer Services</u>		
<u>Planning Funds – Plant Sciences</u>		
<u>Research Complex – NCSU</u>		
Department of Environment and Natural Resources		
Water Resources Development Projects	11,522,000	<u>6,482,000</u>
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	-
TOTAL CAPITAL IMPROVEMENTS –		
 GENERAL FUND	\$ 27,939,000	\$ 8,423,000 <u>\$15,505,000.</u>"

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 22.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an

1 estimated eight million sixty-three thousand one hundred eight dollars (\$8,063,108) in federal
 2 funds.

Name of Project	2014-2015
(1) B. Everett Jordan Lake Water Supply Storage	\$ 200,000
(2) Morehead City Harbor Maintenance Dredging	0
(3) Wilmington Harbor Improvements Feasibility	200,000
(4) Wilmington Harbor Maintenance (Disposal Area 8 & 10)	4,000,000
(5) Natural Resources Conservation Service EQIP Project	2,000,000
(6) Hookerton NC – Stream Bank Erosion Repairs (Sec. 14)	410,000
(7) State/Local Water Resources Development Grants	1,000,000
(8) John H. Kerr Dam & Reservoir (Sec. 216)	50,000
(9) Neuse River Basin Environmental Restoration – PED	157,000
(10) Currituck Sound Environmental Restoration Feasibility Study	260,000
(11) Princeville Flood Damage Reduction Feasibility Study	205,000
(12) Wilmington Harbor Deepening Project	600,000
(13) Planning Assistance to Community	25,000
TOTALS	\$9,107,000

19 **SECTION 22.3.(b)** It is the intent of the General Assembly that funds carried
 20 forward from previous fiscal years be used to supplement the six million four hundred
 21 eighty-two thousand dollars (\$6,482,000) appropriated for water resources development
 22 projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from
 23 previous fiscal years shall be used for the following projects:

Name of Project	Amount Carried Forward
(1) Wilmington Harbor Maintenance (Disposal Areas 8 & 10)	\$2,000,000
(2) Wilmington Harbor Deepening Project	600,000
(3) Planning Assistance to Communities	25,000
TOTALS	\$2,625,000

30 **SECTION 22.3.(c)** Where the actual costs are different from the estimated costs
 31 under subsection (a) of this section, the Department may adjust the allocations among projects
 32 as needed. If any projects funded under subsection (a) of this section are delayed and the
 33 budgeted State funds cannot be used during the 2014-2015 fiscal year or if the projects funded
 34 under subsection (a) of this section are accomplished at a lower cost, the Department may use
 35 the resulting fund availability to fund any of the following:

- 36 (1) U.S. Army Corps of Engineers project feasibility studies.
- 37 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
 38 require State matching funds in the 2014-2015 fiscal year.
- 39 (3) State-local water resources development projects.

40 Funds subject to this subsection that are not expended or encumbered for the
 41 purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General
 42 Fund at the end of the 2014-2015 fiscal year.

43 **SECTION 22.3.(d)** The Department shall make semiannual reports on the use of
 44 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
 45 Research Division, and the Office of State Budget and Management. Each report shall include
 46 all of the following:

- 47 (1) All projects listed in this section.
- 48 (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 22.3.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 22.4. 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 Veteran's Affairs Home – Renovations	\$ 3,715,000
Department of Agriculture and Consumer Services	
Swain County Headquarters Site Development/Modular Placement	\$ 0
Alexander County Headquarters Site Development/Modular Placement	0
Tidewater Research Station – Deer Fence Installation	20,000
DuPont Recreational State Forest – Rocky Ridge & Stone Mountain Trail	100,000
Raleigh Farmer's Market – Parking Improvement & Expansion	200,000
Research Stations Division – Safety Improvement Statewide	80,000
Region 2 Jordan Lake – Classroom Site Development/Modular Placement	75,000
Western North Carolina Agriculture Center – Livestock Improvements	3,000,000
NC State Fairgrounds – HVAC Improvements – Campus Wide	1,500,000
Mountain Island Educational State Forest – Visitor and Interpretive Center	3,000,000
NC State Fairgrounds – Renovations to Existing Buildings	2,000,000
Raleigh Farmer's Market – Construct New Craft Shed	700,000
Western NC Farmer's Market – E & F Barns – Roof Replacement	500,000
Holmes Educational State Forest – Repairs and Renovations Projects	15,000
NC State Fairgrounds – Campus Infrastructure Repairs	1,550,000
Tuttle Educational State Forest – Repairs and Renovations Projects	15,000
NC State Fairgrounds – Horse Complex Site Repairs and Improvements	2,000,000
Piedmont Research Station – New Bridge	200,000
Western NC Farmer's Market – Paving Improvements	100,000
Rendezvous Mountain Educational State Forest – Repairs & Renovations	15,000

Department of Cultural Resources

1	NC Museum of Art East Building Technology Improvements	1,118,750
2		
3	Department of Justice	
4	Raleigh Crime Laboratory Renovation	807,000
5		
6	Department of Public Safety	
7	Caledonia Farms Grain	361,340
8	Maury Correctional Institution – Industrial Area Upfit	2,830,499
9	Raleigh Facilities Maintenance Latrine Renovations	165,000
10	Raleigh Troop Motor Pool Latrine Renovations	130,000
11	Camp Butner Training Site – West Perimeter Rd. – Phase II	780,000
12	Camp Butner Training Site – Range Control Building	738,000
13	Youngsville Field Maintenance Shop Lighting Upgrade	95,000
14	Camp Butner Training Site Engagement Skilled Trainer Building	495,000
15	Camp Butner Training Site Multi-Purpose Building	800,000
16	Camp Butner Training Site Water Tower & System Improvements	494,000
17	High Point Field Maintenance Shop Office/Storage Building	525,000
18	High Point Field Maintenance Shop/Military Owned Vehicle Lot Paving	525,000
19	Morrisville Army Aviation Support Facility #1 Latrine Renovations	88,000
20	Morrisville Army Aviation Support Facility #1 Guard Shack & Access Imp.	525,000
21	Fort Bragg Regional Training Site Maintenance #2 Fire Alarm System	27,000
22	Red Springs Field Maintenance Shop Expansion	788,000
23	Fort Bragg Regional Training Site Maintenance #2 Wash Rack Addition	525,000
24	Winston Salem Field Maintenance Shop Addition/Alteration	775,000
25	Camp Butner Training Site Land Buffer Acquisitions	300,000
26		
27	Wildlife Resources Commission	
28	Land Acquisitions	3,750,000
29	New Construction FAAs (Fishing Access Areas)	200,000
30	New Construction of BAAs (Boating Access Areas)	900,000
31	Renovations to Existing BAA (Boating Access Areas)	900,000
32	Balsom Depot Renovation	1,300,000

TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED \$37,727,589

PLANNING FUNDS FOR DEPARTMENT OF AGRICULTURE/NC STATE COLLABORATIVE EFFORT – CONSTRUCTION OF FACILITY ON NC STATE CAMPUS TO BE KNOWN AS THE PLANT SCIENCES RESEARCH COMPLEX

SECTION 22.5. Of the funds appropriated to the Department of Agriculture for the 2013-2014 fiscal year, one hundred thousand dollars (\$100,000) in nonrecurring funds shall be carried forward and used in the 2014-2015 fiscal year for planning funds for a joint effort between the NC Department of Agriculture and North Carolina State University. These funds will be transferred from the Department of Agriculture to North Carolina State University to be used to start the planning for construction of a facility for plant sciences research and innovation.

SECTION 22.5.(b) This section becomes effective June 30, 2014.

PART XXIII. MISCELLANEOUS PROVISIONS**UPDATE THE NC INTERNSHIP COUNCIL ENABLING STATUTE TO INCORPORATE NEW STATE GOVERNMENT STRUCTURE**

SECTION 23.1. G.S. 143B-417(1) is amended by adding a new sub-subdivision to read:

"ee. Office of Information and Technology Services."

STATE BUDGET ACT APPLIES

SECTION 23.2. 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.

MOST TEXT APPLIES ONLY TO THE 2014-2015 FISCAL YEAR

SECTION 23.3. 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 23.4. 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 23.5.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2013-360 and S.L. 2013-363 remain in effect.

SECTION 23.5.(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 and S.L. 2013-363 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 CLAUSE

SECTION 23.6. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 23.7. Except as otherwise provided, this act becomes effective July 1, 2014.